

Big Tech Antitrust Hearing Full Transcript July 29

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Rep. Cicilline: (00:00)

... Facebook and Google. Before we begin, I'd like to remind members that we have established an email address and distribution list dedicated to circulating exhibits, motions, or other written materials that members might want to offer as part of our hearing today. If you'd like to submit materials, please send them to the email address that has been previously distributed to your offices, and we will circulate the materials to members and staff as quickly as we can.

Rep. Cicilline: (00:23)

I would also remind all members that guidance from the Office of the Attending Physician states that face coverings are required for all meetings in an enclosed space, such as committee hearings. I expect all members on both sides of the aisle to wear a mask, except when you are speaking. I now recognize myself for an opening statement.

Rep. Cicilline: (00:42)

More than a year ago, this subcommittee launched an investigation into digital markets. Our two objectives have been to document competition problems in the digital economy and to evaluate whether the current antitrust framework is able to properly address them. In

September 2019, the chairman and ranking members of the full committee and the subcommittee issued sweeping bipartisan requests for information to the four firms that will testify at today's hearing.

Rep. Cicilline: (01:06)

Since then, we've received millions of pages of evidence from these firms, as well as documents and submissions for more than a hundred market participants. We also conducted hundreds of hours of interviews. As part of this investigation, we have held five hearings to examine the effects of online market power on innovation and entrepreneurship, data privacy, a free and diverse press and independent businesses in the online marketplace. We've held 17 briefings and round tables with over 35 experts and stakeholders in support of our work.

Rep. Cicilline: (01:36)

This investigation has been bipartisan from the start. It's been an honor to work alongside my colleague, Congressman Jim Sensenbrenner, the subcommittee's ranking member, as well as the former ranking member of the full committee, Congressman Doug Collins. We work closely with all members of the subcommittee on both sides of the aisle who have taken this work seriously and studied these issues carefully. As my colleague, Congressman Ken Buck, recently commented, and I quote, "This is the most bipartisan effort that I've been involved with in five and a half years of Congress."

Rep. Cicilline: (02:07)

The purpose of today's hearing is to examine the dominance of Amazon, Apple, Facebook and Google. Amazon runs the largest online marketplace in America, capturing 70% of all online marketplace sales. It operates across a vast array of businesses, from cloud computing and movie production, to transportation logistics, and small business lending. Amazon's market valuation recently hit one and a half trillion dollars, more than that of Walmart, Target, Salesforce, IBM, eBay and Etsy combined.

Rep. Cicilline: (02:39)

Apple is a dominant provider of smartphones with more than a hundred million iPhone users in the United States alone. In addition to hardware, Apple's [inaudible 00:02:47] apps, including financial services, media and [inaudible 00:02:51].

Rep. Cicilline: (02:51)

Facebook is the world's largest provider of social networking services, with a business model [inaudible 00:02:56] despite a litany of privacy [inaudible 00:03: 00], Facebook continues to [inaudible 00:03:03] billion dollars last year alone.

Rep. Cicilline: (03:06)

Lastly, Google is the world's largest online search engine, [inaudible 00:03:11] more than 90% of searches online. [inaudible 00:03:14] digital ad markets and enjoys a billion users across six products, including browser [inaudible 00:03:20] and Google Maps.

Rep. Cicilline: (03:23)

Prior to the COVID-19 pandemic, these corporations already stood out as titans in our economy. In the wake of COVID-19, however, they're likely to emerge stronger and more powerful than ever before. As American families shift more of their work, shopping and communication online, these giant stand to profit. Locally owned businesses, meanwhile, mom and pop stores on main street facing an economic crisis unlike any in recent history.

Rep. Cicilline: (03:47)

As hard as to believe it's possible that our economy will emerge from this crisis even more concentrated and consolidated than before. These companies serve critical arteries of commerce and communications. Because these companies are so central to our modern life, their business practices and decisions have an outsized effect on our economy and our democracy.

Rep. Cicilline: (04:10)

Any single action by one of these companies can affect hundreds of millions of us in profound and lasting ways. Although these four corporations differ in important and meaningful ways, we've observed common patterns and competition problems over the course of this investigation.

Rep. Cicilline: (04:25)

First, each platform is a bottleneck for a key channel of distribution, where they control access to information or to a marketplace, these platforms have the incentive and ability to exploit this power. They can charge exorbitant fees and pose oppressive contracts and extract valuable data from the people and businesses that rely on them.

Rep. Cicilline: (04:45)

Second, the platform uses its control of digital infrastructure to surveil other companies, their growth, business activity, whether they might pose a competitive threat [inaudible 00:04:57] to protect its power by stopping or cutting off access for any potential rival.

Rep. Cicilline: (05:06)

Third, platform technologies to extend their power, whether it's through self-preferencing [inaudible 00:05:14] or requiring users to buy additional products [inaudible 00:05:17] wielded their power in destructive, harmful ways in order to expand.

Rep. Cicilline: (05:23)

At today's hearing, we'll examine how each of these companies has used this playbook to achieve and maintain dominance and how their power shapes and affects our daily lives. So, why does this matter? Many of the practices used by these companies have harmful economic effects. They discourage entrepreneurship, destroy jobs, hike costs, and degrade quality.

Rep. Cicilline: (05:43)

Simply put, they have too much power. This power staves off new forms of competition, creativity and innovation. While all these different things may still produce some new innovative products, their dominance is killing the small businesses, manufacturing, and overall dynamism that are the engines of the American economy. Several of these firms also harvest and abuse people's data to sell ads for everything from new books to dangerous so-called miracle cures.

Rep. Cicilline: (06:11)

When everyday Americans learned how much of their data is being mined, they can't run away fast enough. In many cases, there is no escape from the surveillance because there's no alternative. People are stuck with bad options. Open markets are predicated on the idea that if a company harms people, consumers, workers, and business partners will choose another option. We're here today because that choice is no longer possible.

Rep. Cicilline: (06:35)

In closing, I'm confident that addressing the problems we see in these markets will lead to a stronger, more vibrant economy. Because concentrated economic power also leads to concentrated political power, this investigation also goes to the heart of whether we, as a people govern ourselves, or whether we let ourselves be governed by private monopolies.

Rep. Cicilline: (06:55)

American democracy has always been at war against monopoly power. Throughout our history, we've recognized that concentrated markets and concentrated political control are incompatible with democratic ideals. When the American people confronted monopolies in the past, be it the railroads or the oil tycoons or AT&T and Microsoft, we took action to ensure no private corporation controls our economy or our democracy. We face similar challenges today. \.

Rep. Cicilline: (07:22)

As gatekeepers of the digital economy, these platforms enjoy the power to pick winners and losers, to shake down small businesses and enrich themselves while choking off competitors. Their ability to dictate terms, call the shots, upend entire sectors, and inspire fear, represent the powers of a private government. Our founders would not bow before king, nor should we bow before the emperors of the online economy.

Rep. Cicilline: (07:48)

With that, I now recognize the ranking member of the subcommittee, Mr. Sensenbrenner, for his opening statement.

Rep. Sensenbrenner: (07:53)

Thank you, Mr. Chairman. I want to thank the CEOs for quickly working with the subcommittee to appear today. The memorial service for John Lewis on Monday required our attention. However, this hearing is vital to our oversight work, and I appreciate your flexibility.

Rep. Sensenbrenner: (08:10)

Throughout my long time in Congress, I have prioritized oversight as one of our seminal responsibilities. Part of that responsibility is to periodically review the effectiveness of our laws. I think it's a good and timely thing that we are now turning our attention to technological innovations, which brings us to all of your companies. Our country is stricken by a pandemic becomes a dramatic illustration of the extraordinarily reliance Americans have on technological innovations.

Rep. Sensenbrenner: (08:41)

In these unexpected and unprecedented times, your companies have provided innovations so our nations can meet a myriad of our daily needs, the delivery of groceries, virtual visits with doctors, connecting socially distant families, are keeping our small and large businesses connected. With that responsibility comes in increased scrutiny of your dominance in the marketplace.

Rep. Sensenbrenner: (09:07)

I want to reiterate something I've said throughout this investigation, being big is not inherently bad. Quite the opposite. In America, you should be rewarded for success. We are here to better understand the role your companies have in the digital marketplace, and importantly, the effect they have on consumers and the public at large. You lead some of today's more powerful companies, and my colleagues and I have a great interest about what your companies do with that accumulated power.

Rep. Sensenbrenner: (09:41)

We also know that the tech marketplace is driven by data. It follows that those control the data, in essence, control the marketplace. There are broader questions surrounding data, however. Who owns the data? What responsibility is to companies have to share it with their customers or their competitors? What is the fair market value of that data? Is there anything monopolistic in acquiring this data? And what about monetizing it?

Rep. Sensenbrenner: (10:13)

These are complex issues that Congress, regulators, and even your own companies are wrestling with in the current technological landscape, and the answers to which we owe the American consumers. Since the tech investigation began, we've heard rumblings from many who are quick to say your successful companies have grown too large. Since this hearing was announced, it seems that those complaints have gotten even louder.

Rep. Sensenbrenner: (10:41)

While I find these complaints informative, I don't plan on it litigating each of these [inaudible 00:10:48] the consumer welfare state [inaudible 00:10:54] has served this country well for over a century. [inaudible 00:10:58] framework and the activity to [inaudible 00:11:00] for some of our most successful and innovative [inaudible 00:11:05]

Rep. Sensenbrenner: (11:05)

I will be the first to [inaudible 00:11:07]. However, as the business landscape involved, we must ensure that our existing antitrust laws are applied to meet the needs of our country and its consumers. I share the concern that market dominance in the digital space is ripe for abuse, particularly when it comes to free speech. As we know companies like Facebook, Google's YouTube and Twitter have become the public square of today, where political debate unfolds in real time.

Rep. Sensenbrenner: (11:40)

Reports that descending views, often conservative views, are [inaudible 00:11:48] conservatives are consumers too, and they need protection of the antitrust laws. The power to influence debate carries with it remarkable responsibilities. Let the facts be our guide here. Your companies are large. That's not a problem. Your companies are successful. That's not a problem either, but I want to leave here today with a more complete picture of how your individual companies use your size, success, and power and what it means to the American consumer.

Rep. Sensenbrenner: (12:21)

I yield back the balance by my time.

Rep. Cicilline: (12:24)

I thank the gentlemen. Now, the Chair now recognizes that the distinguished Chairman of the full committee, the gentlemen from New York, Mr. Nadler, for his opening statement.

Rep. Nadler: (12:33)

Thank you, Mr. Chairman. I want to thank you, Ranking Member Sensenbrenner and the subcommittee members, for the tremendous effort that you have all put into the subcommittee's investigation. I appreciate your calling this hearing today so that we can hear directly from the leaders of Amazon, Apple, Facebook, and Google, and I look forward to an important dialogue.

Rep. Nadler: (12:53)

Today, it is effectively impossible to use the internet without using, in one way or another, the services of these four companies. I have long believed with Thomas Jefferson and Lewis Brandeis, the concentration of power in any form, especially concentration of economic or political power, is dangerous to a democratic society.

Rep. Nadler: (13:14)

That is why we must examine these and other companies that play a dominant role in our economy and in our society, and ensure that our antitrust laws give enforcers the tools they need to preserve a healthy marketplace. These principles have guided this committee's year-long investigation into competition in digital markets, and they are the lens through which I approach today's hearing.

Rep. Nadler: (13:38)

The open internet has delivered enormous benefits to Americans, including a surge of economic opportunity, massive investment and new pathways for education online. But there is growing evidence that a handful of corporations have come to capture an outside share of online commerce communications. From providing the dominant search platform, retail platform and an online messaging platform, to providing the underlying mapping services and cloud computing on which hundreds of thousands of other businesses rely, these dominant platforms now comprise the essential infrastructure for the 21st century.

Rep. Nadler: (14:13)

By virtue of controlling essential infrastructure, these companies have the ability to control access to markets. In some basic ways, the problem is not unlike what we faced 130 years ago when railroads transformed American life, both enabling farmers and producers to access new markets, but also creating a key choke hold that the railroad monopolies could exploit. [inaudible 00:14:37] notoriously abused this gatekeeper power in a variety of ways.

Rep. Nadler: (14:41)

They charged tolls, extorting the producers reliant on their rails. They discriminated among farmers, picking winners and losers across the economy, and by expanding into lines of business that competed directly with producers, they could use their dominance and transportation to favor their own services. These tactics by the railroads, spurred fury and despair across the country.

Rep. Nadler: (15:04)

Congress initiated investigations to document these problems, and then enact as legislative solutions to halt and outlaw these anti-competitive practices in the railroad industry and other industries dominated by unregulated monopolies and trusts. Importantly, congressional oversight and legislative reforms during this period did not prevent or encumber the inexorable arrival of new technology or human progress. Instead, Congress recognized that these powerful new technologies had reshaped the balance of power in our economy, and that it was the role of Congress to ensure that the new monopolists could not abuse their power.

Rep. Nadler: (15:42)

Today, the digital economy poses similar challenges. While the underlying technology is dramatically different, of course, new digital intermediaries have the ability to control access to critical markets. If you are an independent merchant, developer or content producer, you are increasingly reliant on these powerful intermediaries to access markets and consumers. Across the economy, many businesses live in fear of exclusion from these platforms, the fact that some companies have shared with the committee over the past year during this investigation.

Rep. Nadler: (16:16)

The subcommittee's current review of competition in the digital marketplace continues a long tradition in this committee of oversight of the antitrust laws and our economy. From the days of Chairman Emanuel Celler, the House Judiciary Committee at its antitrust subcommittee, have conducted careful, fact-based inquiries into industrial sectors showing signs of consolidation and anti-competitive conduct. This has continued on a bipartisan basis over the years from, Chairman Brooks and Hyde, to Chairman Sensenbrenner and Conyers and others.

Rep. Nadler: (16:48)

As a 1950 report from the then-named Subcommittee on Monopoly Power described our mandate, "It is the province of this subcommittee to investigate factors which tended to eliminate competition, strengthen monopolies, injure small businesses, or promote undue concentration of economic power, to ascertain the facts and to make recommendations based on those findings." Following in this proud tradition, our investigation has held hearings with industry and government witnesses, consultations with subject matter experts and the careful and at times painstaking review of large volumes of evidence provided by industry participants and regulators.

Rep. Nadler: (17:28)

While ultimately it is the responsibility of antitrust enforcement agencies to enforce the law, Congress has an obligation to assess whether existing antitrust laws and competition policies and the will to enforce those laws and policies are adequate to address the competition issues facing our country and to take action if they are found to be lacking. Given the dominant role that these four companies play in our economy and our society, it is only reasonable that our careful examination of the antitrust laws begin with them.

Rep. Nadler: (18:01)

I appreciate the participation of all of our witnesses today. An investigation would not be complete, indeed, it has hardly begun, without hearing directly from the decision makers at these companies. I look forward to their testimony and to today's discussion. I yield back the balance of my time.

Rep. Cicilline: (18:19)

I thank the gentlemen, and I now recognize the ranking member of the full committee, the gentleman from Ohio, Mr. Jordan, for his opening state [crosstalk 00:18:27]

Rep. Jordan: (18:26)

Thank you, Mr. Chairman, and I also want to thank the ranking member of this subcommittee, Mr. Sensenbrenner. I'm not sure how many more committee hearings this subcommittee or the full committee are going to have this Congress, but I want to thank Jim for his great work for the constituents of his district in Wisconsin, for this many years, and for the work he has done for this entire committee.

Rep. Jordan: (18:47)

I'll just cut to the chase, big tech's out to get conservatives. That's not a suspicion. That's not a hunch. That's a fact. July 20, 2020, Google removes the homepages of Breitbart and The Daily Caller. Just last night we learned Google has censored Breitbart so much traffic has declined 99%. June 16, 2020, Google threatens to demonetize and ban The Federalist. April 19, 2020, Google and YouTube announced a policy censoring the content that conflicts with recommendations of the World Health Organization.

Rep. Jordan: (19:19)

Now, think about that. The World Health Organization, an organization that lied to us, the organization that shilled for China, and if you contradict something they say, they can say whatever they want. They can lie for China. They can shill for China. You say something against them, you get censored.

Rep. Jordan: (19:34)

June 29, 2020, Amazon bans President Trump's account on Twitch after he raises concerns about defunding the police. June 4, 2020, Amazon bans a book critical of the coronavirus lock downs written by a conservative commentator. May 27, 2020, Amazon Smile won't let you give to the Family Research Council and the Alliance Defense Fund, but you can give to Planned Parenthood.

Rep. Jordan: (19:58)

Facebook, June 19, 2020, takes down posts from President Trump's reelection campaign. November 1, 2018, Facebook [inaudible 00:20:05] organization's advertisement. June 19, [inaudible 00:20:11] former Facebook employee [inaudible 00:20:13] Facebook routinely suppresses conservative views. Twitter, who we actually invited. Chairman, we asked for you guys to invite him as one of our witnesses. You guys said, no, I haven't even mentioned them to [inaudible 00:20:30] members of this committee.

Rep. Jordan: (20:33)

[inaudible 00:20:33] members of Congress [inaudible 00:20:35] two years ago, 435 in the House, a hundred in the Senate, and 535, only four, only four, Gaetz, Meadows Nunes, Jordan, only four get shadow banned. Of course, what did Mr. Dorsey tell us? He said, "Oh, it was just a glitch in our algorithm." Just a... I asked him, "What'd you put in the algorithm? The names Gaetz, Meadows, Nunes, Jordan." If I had a nickel for every time I heard it was just a glitch, I wouldn't be as wealthy as our witnesses, but I do be doing all right.

Rep. Jordan: (21:03)

We've heard that excuse time and time again. May 28, Twitter censors President Trump's tweet on the riots in Minneapolis. May 29, 2020, Twitter censors The White House for quoting the president's comments about the riots in Minneapolis. June 23, 2020, Twitter censors the president again for saying he'll enforce the rule of law against any autonomous zone in Washington, DC.

Rep. Jordan: (21:23)

You can tweet all you want about the autonomous zone that happened in Seattle, but the president tweets that he's not going to have one in Washington, DC. Oh, nope, you can't do that. You get banned. You get censored. Dozens of examples. Oh, I forgot one. I forgot one. Just last week, July 21. Here's what Twitter did. The leader of Iran, the Islamic Republic of Iran, this is from the largest state sponsor of terrorism. Twitter allows this tweet, "The Islamic Republic of Iran will never forget the martyrdom of Soleimani and will definitely strike a reciprocal blow in the United States."

Rep. Jordan: (22:01)

You can threaten the citizens of this great country, the leader of the largest state sponsor of terrorism. That's just fine. But all the president says, he's not going to allow some autonomous zone in DC, and he gets censored. All kinds of examples, most of them from this year, and that's what's, I think, critical for us all to understand. Most of them from this year, an election year, and that's what concerns me and so many Americans, because we saw what Google did in 2016.

Rep. Jordan: (22:36)

We all know about the email the day after the election, where top executives at Google email chain, where they talked about the "silent donation" Google made to the Clinton campaign. Now, thank goodness, it wasn't enough, and in spite of their efforts to help Clinton, President Trump won. But we're 97 days before an election and the power as the previous Chairman and Ranking Member have said, the power these companies have to impact what happens during an election, what people, what American citizens get to see prior to their voting is pretty darn important.

Rep. Jordan: (23:14)

That's why this committee hearings important. Look, we all think the free market's great. We think competition's great. We love the fact that these are American companies, but what's not great is censoring people, censoring conservatives and trying to impact elections. If it doesn't end, there has to be consequences. There have to be consequences. That's what I'm concerned about, and I think what so many Americans are concerned about.

Rep. Jordan: (23:36)

I look forward to hearing from our witnesses, Mr. Chairman, and before I yield back, Mr. Chairman, we have a colleague. I would ask unanimous consent that Mr. Johnson, the ranking member of the constitution subcommittee be, allowed to participate in today's hearing, which is our customary practice for subcommittee hearings.

Rep. Cicilline: (23:54)

The gentlemen makes a unanimous consent request, is that...

Speaker 1: (23:56)

Mr. Chairman, I would object.

Rep. Cicilline: (23:57)

Objection is heard, and now, have the [crosstalk 00:24:00]

Rep. Jordan: (24:00)

Mr. Chairman, why are we not allowing... It is customary-

Rep. Cicilline: (24:05)

Mr. Jordan, there was a unanimous consent request. Objection was heard, and now we'll introduce our witnesses. It is now my-

Rep. Jordan: (24:10)

This has never happened in history of the Judiciary Committee.

Rep. Cicilline: (24:11)

... pleasure to introduce that today's witnesses. Our first witness is Jeff Bezos, the chief executive officer... Mr. Jordan, I have the time. Our first witness is-

Rep. Jordan: (24:20)

But this is the ranking member of the... We're talking about people's liberties here. We have the ranking member of the-

Rep. Cicilline: (24:24)

Mr. Jordan, you made a unanimous consent request. Objection was heard. Those are our rules.

Rep. Jordan: (24:29)

Objection was [crosstalk 00:24:30] by the...

Rep. Cicilline: (24:29)

It is now my pleasure to introduce today's witnesses.

Rep. Jordan: (24:32)

... by the Mr. Constitutional Law Professor.

Rep. Cicilline: (24:32)

Our first witness is Jeff Bezos, the chief [crosstalk 00:00:24:35].

Speaker 1: (24:35)

Put your mask on.

Rep. Cicilline: (24:35)

... officer of Amazon.com. Mr. Bezos founded Amazon in 19... Excuse me, I'm going to remind members of this committee, unless you are speaking, our rules require you to wear a mask according to the attending physician. No, I'm speaking about another member of this committee.

Rep. Cicilline: (24:53)

I'll begin again. It is now my pleasure to introduce today's witnesses. Our first witness is Jeff Bezos, the chief executive officer of Amazon.com. Mr. Bezos founded Amazon in 1994 as an online bookstore. Since then, Amazon has grown to be the largest online retailer on the internet. Mr. Bezos has also oversees his company's expansion into areas including cloud computing, digital streaming and artificial intelligence. Mr. Bezos received his bachelor's of science from Princeton University.

Rep. Cicilline: (25:22)

Our second witness, Sundar Pichai, is the chief executive officer of both Alphabet and its subsidiary, Google. Mr. Pichai joined Google in 2004 and has helped manage a number of successful products, including Google Chrome, Gmail and the Android operating system. Mr. Pichai also oversaw the company's popular search products. Prior to his time at Google, Mr. Pichai worked in management consulting at McKinsey. Mr. Pichai received a degree in metallurgical engineering from the Indian Institute of Technology, a master's degree from Stanford University and an MBA from the Wharton School at the University of Pennsylvania.

Rep. Cicilline: (25:55)

Our third witnesses, Tim Cook, the chief executive officer of Apple. Mr. Cook joined Apple in 1998 and served as its chief operational officer under Steve Jobs. In 2011, Mr. Cook was named CEO. While at Apple, he has overseen their expansion into new markets through the launch and developments of products and services like Apple Pay, Apple Watch, iCloud, Apple Card and HomePod. Prior to joining Apple, Mr. Cook served as the director of North American fulfillment for IBM. Mr. Cook received a bachelor of science from Auburn University and an MBA from Duke University's Fuqua School of Business. The last witness at today's hearing is Mark Zuckerberg, founder, chairman, and CEO of Facebook. Mr. Zuckerberg initially launched Facebook in order to help connect college students at his school more easily. Since then, the company has grown into the world's largest social media platform with 1.7 billion global daily active users. Mr. Zuckerberg attended Harvard University before leaving to focus full time on developing Facebook.

Rep. Cicilline: (26:53)

We welcome all of our distinguished witnesses and thank them for participating in today's hearing. Now we will begin by swearing you in. Before I do that, I want to also remind you that you are the only ones from your respective companies invited to testify today, and that in accordance with normal House practice and Section G of the House Remote Committee proceeding regulations, your sworn testimony must be your own. Please let me know if at any point in the hearing you wish to mute yourself so you can confer with your counsel.

Rep. Cicilline: (27:23)

Will you please unmute your microphones and raise your right hands? Do you swear or affirm under penalty of perjury that the testimony you are about to give is true and correct to the best of your knowledge, information and belief, so help you God?

Tim Cook: (27:40)

Yes.

Sudar Pichai: (27:40)

Yes.

Mark Zuckerberg: (27:41)

I do.

Jeff Bezos: (27:41)

I do.

Rep. Cicilline: (27:42)

Let the record show the witnesses answered in the affirmative. Thank you, and you may remain seated. Please note that your written statements will be entered into the record in their entirety. Accordingly, I ask that you summarize your testimony in five minutes. To help you stay within that time, there is a timing light in WebEx. When the light switches from green to yellow, you have one minute to conclude your testimony. When the light turns red, it signals your five minutes have expired. Mr. Bezos, you may begin.

Jeff Bezos: (28:09)

Thank you, Chairman Cicilline, Ranking Member Sensenbrenner and members of the subcommittee. I was born into great wealth, not monetary wealth, but instead, the wealth of a loving family, a family that fostered my curiosity and encouraged me to dream big. My mom, Jackie, had me when she was a 17 year old high school student in Albuquerque.

Jeff Bezos: (28:33)

Being pregnant in high school was not popular. The school tried to kick her out, but she was allowed to finish after my grandfather negotiated terms with the principal. She couldn't have a locker, no extracurriculars and couldn't walk across the stage to get her diploma. She graduated and was determined to continue her education. So she enrolled in night school, bring me, her infant son, to class with her throughout. My dad's name is Miguel. He adopted me when I was four. He was 16 when he came to the US from Cuba by himself shortly after Castro took over. My dad didn't speak English and he did not have an easy path. What he did have was grit and determination. He received a scholarship to college in Albuquerque, which is where he met my mom. Together with my grandparents, these hardworking, resourceful, and loving people made me who I am. I walked away from a steady job on Wall Street into a Seattle garage to found Amazon, fully understanding that it might not work. It feels like just yesterday I was driving the packages to the post office myself, dreaming that one day we might afford a forklift. Customer obsession has driven our success, and I take it as an article of faith that customers notice when you do the right thing. You earn trust slowly over time by doing hard things well, delivering on time, offering everyday low prices, making promises and keeping them and making principle decisions even when they are unpopular.

Jeff Bezos: (30:12)

And our approach is working. 80% of Americans have a favorable impression of Amazon overall. Who do Americans trust more than Amazon to do the right thing? Only their doctors and the military. The retail market we participate in is extraordinarily large and competitive. Amazon accounts for less than 1% of the \$25 trillion global retail market, and less than 4% of US retail. There's room in retail for multiple winners. We compete against large, established players, like Target, Costco, Kroger, and of course, Walmart, a company more than twice Amazon's size.

Jeff Bezos: (30:53)

20 years ago, we made the decision to invite other sellers to sell in our store, to share the same valuable real estate we've spent billions to build, market and maintain. We believe that combining the strengths of Amazon Store with the vast selection of products offered by third parties would be a better experience for customers, and that the growing pie of revenue and profits would be big enough for all. We were betting that it was not a zero sum game.

Jeff Bezos: (31:22)

Fortunately, we were right. There are now, 1.7 million small- and medium-sized businesses selling on Amazon. The trust customers put in us every day has allowed Amazon to create more jobs in the United States over the past decade than any other company, hundreds of thousands of jobs across 42 states. Amazon employees make a minimum of \$15 an hour, more than double the federal minimum wage. We offer the best benefits. Benefits that include comprehensive health insurance, 401k retirement, and parental leave, which includes 20 weeks of paid maternity leave.

Jeff Bezos: (31:59)

More than any place on earth, entrepreneurial companies start, grow and thrive here in the US. We nurture entrepreneurs and startups with stable rule of law, the finest university system in the world, the freedom of democracy and a deeply accepted culture of risk-taking. Of course, this great nation of ours is far from perfect. Even as we remember Congressman John Lewis and honor his legacy, we're in the middle of a much needed race reckoning. We also face the challenges of climate change and income inequality, and we're stumbling through the crisis of a global pandemic. Still, with all of our faults and problems, the rest of the world would love even the tiniest sip of the elixir we have here in the US. Immigrants like my dad see what a treasure this country is. They have perspective and often can see it even more clearly than those of us who were lucky enough to be born here. It is still day one for this country, and even in the face of today's humbling challenges-

Jeff Bezos: (33:03)

... one for this country and even in the face of today's humbling challenges, I have never been more optimistic about our future. I appreciate the opportunity to appear before you today. And I'm very happy to take your questions.

Rep. Cicilline: (33:13)

Thank you, Mr. Bezos, Mr. Pichai, you are now recognized for five minutes.

Mr. Pichai: (33:17)

Thank you Mr. Chairman, ranking member Sensenbrenner, and members of the subcommittee. Before I start, I know this hearing was delayed because of the ceremonies to honor the life of your colleague representative John Lewis. Because of his courage, this world is a better place. He will be deeply missed.

Mr. Pichai: (33:40)

At its heart, a discussion about competition is a discussion about opportunity. This has never been more important as the global pandemic poses dual challenges to our health and our economy. Expanding access to opportunity through technology is personal to me. I didn't have much access to a computer growing up in India, so you can imagine my amazement when I arrived in the US for graduate school and saw an entire lab of computers to use whenever I wanted. Accessing the internet for the first time, set me on a path to bring technology to as many people as possible. It inspired me to build Google's first browser, Chrome. I'm proud that 11 years later, so many people experienced the web through Chrome for free. Google takes pride in the number of people who choose our products. We are even prouder of what they do with them. From the 140 million students and teachers using G Suite for education to stay connected during the pandemic, to the 5 million Americans gaining digital skills through Grow with Google, to all the people who turned to Google for help, from finding the fastest route home to learning how to cook a new dish on YouTube. Google's work would not be possible without the long tradition of American innovation. And we are proud to contribute to its future. We employ more than 75,000 people in the US across 26 States. The Progressive Policy Institute estimated that in 2018, we invested more than \$20 billion in the US, citing us as the largest capital investor in America that year. And one of the top five for the last three years.

Mr. Pichai: (35:25)

One way we contribute is by building helpful products. Research found that free services like search, Gmail, maps, and photos provide thousands of dollars a year in value to the average American. And many are small businesses using our digital tools to grow. Stone Dimensions, a family owned stone company in Pewaukee, Wisconsin uses Google My Business to draw more customers. Gil's appliances, a family owned appliance store in Bristol, Rhode Island credits Google analytics with helping them reach customers online during the pandemic. Nearly one third of small business owners say that without digital tools, they would have had to close all or part of their business during COVID.

Mr. Pichai: (36:10)

Another way we contribute is by being among the world's biggest investors in research and development. At the end of 2019, our R&D spend had increased 10 fold over 10 years, from

\$2.8 billion to \$26 billion. And we have invested over \$90 billion the last five years. Our engineers are helping America remain a global leader in emerging technologies like artificial intelligence, self driving cars, and quantum computing.

Mr. Pichai: (36:41)

Just as America's technology leadership is not inevitable, google's continued success is not guaranteed. New competitors emerge every day. And today users have more access to information than ever before. Competition drives us to innovate, and it also leads to better products, lower choices, and more choices for everyone. For example, competition help lower online advertising cost by 40% over the last decade. But savings pass down to consumers. Open platforms like Android also support the innovation of others. Using Android, thousands of mobile operators build and sell their own devices without paying any licensing fees to us. This has enabled billions of consumers to offer cutting edge smart phones, some for less than \$50. Whether building tools for small businesses or platforms like Android, Google succeeds when others succeed.

Mr. Pichai: (37:38)

Competition also sets higher standards for privacy and security. I've always believed that privacy is a universal right and Google is committed to keeping your information safe, treating it responsibly, putting you in control. And we've long supported the creation of comprehensive federal privacy laws. I've never forgotten how access to technology and innovation change the course of my life. Google aims to build products that increase access to opportunity for everyone, no matter where you live, what you believe, or how much money you earn. We are committed to doing this responsibly in partnership with lawmakers to ensure every American has access to the incredible opportunity technology creates. Thank you.

Rep. Cicilline: (38:26)

Thank you. Mr. Pichai, Mr. Cook is now recognized for five minutes.

Tim Cook: (38:31)

Chairman Cicilline and Nadler, ranking members Sensenbrenner and Jordan, members of the subcommittee, thank you for the opportunity to offer testimony. Before I began, I want to recognize the life and legacy of John Lewis. I join you in mourning, not only a hero, but someone I knew personally, whose example inspires and guides me still. Every American owes John Lewis a debt and I feel fortunate to hail from a state and a country that benefited so profoundly from his leadership.

Tim Cook: (39:07)

My name is Tim Cook. I've been Apple CEO since 2011 and a proud employee of this uniquely American company since 1998. At Apple, we make ourselves a promise and our customers a promise. It's a promise that we'll only build things that make us proud. As Steve put it, "We only make things that we'd recommend to our family and friends."

Tim Cook: (39:33)

You can try to define this difference in a lot of ways. You can call it the seamless integration of hardware and software. You can call it simplicity of a design or a great ecosystem. All of those things are true, but if you want to put it simply, products like iPhone just were. When customers consistently give iPhone a 99% satisfaction rating, that's the message they're sending about the user experience. But we also know that customers have a lot of choices and that our products face fierce competition. Companies like Samsung, LG, Huawei, and Google have built successful businesses with different approaches. We're okay with that. Our goal is the best, not the most. In fact, we don't have a dominant share in any market or in any product category where we do business. What does motivate us is that timeless drive to build new things that we're proud to show our users. We focus relentlessly on those innovations, on deepening core principles like privacy and security and on creating new features.

Tim Cook: (40:43)

In 2008, we introduced a new feature of the iPhone called the App Store launched with 500 apps, which seemed like a lot at the time, the App Store provided a safe and trusted way for users to get more out of their phone. We knew the distribution options for software developers at the time didn't work well, brick and mortar stores charged high fees and have limited reach, physical media like CDs had to be shipped and were hard to update. From the beginning, the App Store was a revolutionary alternative. App Store developers set prices for their apps and never pay for shelf space. We provide every developer with cutting edge tools like compilers, programming languages, and more than 150,000 of central software building blocks called APIs.

Tim Cook: (41:35)

The App Store guidelines ensure a high quality, reliable, and secure user experience. They are transparent and applied equally to every developer. For the vast majority of apps, developers keep 100% of the money they made. The only apps that are subject to a commission are those where the developer acquires a customer on an Apple device and where the features or services would be experienced and consumed on an Apple device. In the App Store's more than 10 year history, we have never raised the commission or added a single fee. In fact, we reduced it for subscriptions and exempted additional categories of apps.

Tim Cook: (42:17)

I'm here today because scrutiny is reasonable and appropriate. We approach this process with respect and humility, but we make no concession on the facts. What began as 500 apps is now more than 1.7 million, only 60 of which are Apple software. If Apple is a gatekeeper, what we've done is open the gate wider. We want to get every app we can on the store, not keep them off.

Tim Cook: (42:45)

The App Store's economic contributions are significant. The ecosystem is responsible for 1.9 million jobs in all 50 States. And it facilitated 138 billion in commerce in the US in 2019 alone. I share the committee's belief that competition promotes innovation, that it makes space for the next great idea, and that it gives consumers more choices.

Tim Cook: (43:10)

Since Apple was founded, these things have defined us. The first Mac brought opportunity and possibility into the home. The iPod helped musicians and artists to share their creations and be paid fairly for it. This legacy does much more than make us proud. It inspires us to work tirelessly to make sure tomorrow will be even better than today. Thank you very much. I look forward to responding to your questions.

Rep. Cicilline: (43:37)

Thank you, Mr. Cook. Mr. Zuckerberg is now recognized for five minutes.

Mr. Zuckerberg: (43:43)

Thank you. Before I begin, I want to add my voice to those honoring Congressman John Lewis and his service to our country. America has lost a real hero who never stopped fighting for the rights of every person. Chairman Cicilline, ranking member Sensenbrenner, members of the subcommittee, thank you for the opportunity to testify.

Mr. Zuckerberg: (44:05)

The tech industry is an American success story. The products we build have changed the world and improve people's lives. Our industry is one of the ways that America shares its values with the world and one of our greatest economic and cultural exports. Facebook is part of this story. We started with an idea to give people the power to share and connect. And we've built services that billions of people find useful. I'm proud that we've given people who've never had a voice before the opportunity to be heard. And given small businesses access to tools that only the largest players used to have.

Mr. Zuckerberg: (44:42)

Since COVID emerged, I'm proud that people have used our services to stay in touch with friends and family who they can't be within person, and to keep their small businesses running when physical stores are closed. I believe that Facebook and the US tech industry are a force for innovation and empowering people. But I recognize that there are concerns about the size and power of tech companies. Our services are about connection and our business model is advertising. And we face intense competition in both. Many of our competitors of hundreds of millions or billions of users. Some are upstarts, but others are gatekeepers with the power to decide if we can even release our apps in their app stores to come people with them.

Mr. Zuckerberg: (45:26)

In many areas, we're behind our competitors. The most popular messaging service in the US is iMessage. The fastest growing app is TikTok. The most popular app for video is YouTube. The fastest growing ads platform is that Amazon. The largest ads platform is Google. And for every dollar spent on advertising in the US, less than 25 cents is spent with us.

Mr. Zuckerberg: (45:54)

We're here to talk about online platforms, but I think the true nature of competition is much broader. When Google bought YouTube, they could compete against the dominant player in video, which was the cable industry. When Amazon bought Whole Foods, they could compete against Kroger's and Walmart. When Facebook bought WhatsApp, we could compete against telcos who used to charge 25 cents a text message, but not anymore. Now people can watch video, get groceries delivered, and send private messages for free. That's competition. New companies are created all the time, all over the world. And history shows that if we don't keep innovating, someone will replace every company here today.

Mr. Zuckerberg: (46:32)

And that change can often happen faster than you expect. Of the 10 most valuable companies a decade ago, only three still make that list today. And if you look at where the top technology company has come from, a decade ago the vast majority were American. Today, almost half are Chinese.

Mr. Zuckerberg: (46:52)

Aside from competition, there are other serious issues related to the internet, including questions about elections, harmful content and privacy. And while these are not antitrust issues and are not specifically the topic of today's hearing, I recognized that we were often at the center of these discussions. We build platforms for sharing ideas and important debates play out across our services. I believe that this ultimately leads to more progress, but it means we often find ourselves in the middle of deep disagreements about social issues and high stakes selections.

Mr. Zuckerberg: (47:25)

I personally don't believe that private the companies should be making so many decisions about these issues by themselves. And that's why last year I made the case that there needs to be new regulation for the internet. Facebook stands for a set of basic principles, giving people a voice and economic opportunity, keeping people safe, upholding democratic traditions like freedom of expression and voting, and enabling an open and competitive marketplace.

Mr. Zuckerberg: (47:52)

These are fundamental values for most of us, but not for everyone in the world. Not for every company we compete with or the countries they represent. And as global competition increases, there is no guarantee that our values will win out. I am proud of the services we build and how they improve people's lives. We compete hard. We compete fairly. We try to

be the best. That's what I was taught matters in this country. And when we succeed, it's because we deliver great experiences that people love. Thank you. And I look forward to answering your questions.

Rep. Cicilline: (48:27)

Thank you. And I thank the witnesses for your opening statements. Before I begin recognizing members for questioning under the five minute rule, without objection, I'm going to enter into the hearing record. The documents and exhibits majority members will be referencing in their questioning today. These materials have been distributed to the witnesses. I will now recognize myself for five minutes.

Rep. Cicilline: (48:47)

Mr. Pichai, over 85% of all online searches go through Google. Every online company in the United States depends on Google to reach users. A business may sink or swim based on Google's decisions alone. Numerous online businesses told us that Google steals their content and privileges its own sites in ways that profit Google, but crush everyone else. Most businesses asked to stay anonymous to the fears that Google would retaliate against them.

Rep. Cicilline: (49:13)

One entrepreneur, Brian Warner told us his website was thriving until Google stole his content. After Google's decision, traffic to his website dropped by 80%, he had to downsize his business and lay off half his staff. He told us, and I quote, "If someone came to me with an idea for a website or a web service today, I'd tell them to run. Run as far away from the web as possible. Launch a lawn care business or a dog grooming business, something Google can't take away as soon as he or she is thriving."

Rep. Cicilline: (49:39)

So my first question, Mr. Pichai, is why does Google steal content from honest businesses?

Mr. Pichai: (49:49)

Mr. Chairman, with respect, I disagree with that characterization. Just last week, I met with many small businesses. In fact, today we support 1.4 million small businesses supporting over \$385 billion in their economic activity. We see many businesses try, particularly even during the pandemic. Businesses, an example, Kettle Kings in Texas, which sells kettlebells. They really-

Rep. Cicilline: (50:17)

Mr. Pichai, I have a limited amount of time, so I don't want to interrupt you. But my question is very specific. We heard throughout this investigation that Google has stolen content to build your own business. These are consistent reports. And so your testimony that that doesn't happen is really inconsistent with what we've learned during the course of the investigation. But I'll move on to it to a new question.

Rep. Cicilline: (50:39)

Mr. Pichai, most Americans believe that when they enter a search query, that what Google shows are the most relevant results. But increasingly Google just shows whatever is most profitable for Google. Be it Google Ads or Google's own sites. So my question, Mr. Pichai, isn't there a fundamental conflict of interest between serving users who want to access the best and most relevant information and Google's business model, which incentivizes Google to sell ads and keep users on Google's own sites?

Mr. Pichai: (51:09)

We've always focused on providing users the most relevant information. And we rely on that trust for users to come back to Google every day. In fact, the vast majority of queries in Google, we don't show ads at all. And we show ads only for a small subset of queries, where the intent from users is highly commercial. For example, they may be looking for something like TV sets or so on.

Rep. Cicilline: (51:33)

But Mr. Pichai, what is the value of the part that you do use the Google ads for? I mean, it's a substantial part of your business. What's the actual value? 200 billion, 300 billion?

Mr. Pichai: (51:46)

In terms of revenue, it's around a hundred plus billion dollars.

Rep. Cicilline: (51:50)

That's a lot of money, Mr. Pichai. Let me move on. Really Mr. Pichai, it's Google's business model that is the problem. Our documents show that Google evolved from a turnstile to the rest of the web, to a walled garden that increasingly keeps users within its sites. Emails show that over a decade ago, Google started to fear competition from certain websites, webpages that could divert search traffic and revenue from Google. These documents show that Google staff discussed the proliferating threat is how it was described, that these webpages posed to Google. Any traffic lost to other sites was a loss in revenue. One of Google's memos observed that certain websites were getting, and I quote, "Too much traffic," so Google decided to put an end to that. Mr. Pichai, you've been at Google since 2004. Were you involved in these discussions about the threat from vertical search?

Mr. Pichai: (52:43)

Congressman without knowing the specifics, I'm not fully clear off the context. But definitely when we look at vertical searches, it validates the competition we see. For example, when users come looking to shop online, independent studies show that over 55% of product searches originate with Amazon and over 70% originate for the major eCommerce companies. In the few categories which are commercial in nature, we see vigorous competition be it travel, be it real estate, and we are working hard-

Rep. Cicilline: (53:15)

Let me ask very specifically, Mr. Pichai, the evidence that we collected shows that Google pursued a multi-pronged attack. First Google began to steal other webpages content. For example, in 2010 Google stole restaurant reviews from Yelp to bootstrap its own rival local search business. Mr. Pichai, do you know how Google responded when Yelp asked you to stop stealing their reviews? Well, I'll tell you, our investigation shows that Google's response was to threaten to de-list Yelp entirely.

Rep. Cicilline: (53:45)

In other words, the choice Google gave up was let us steal your content or effectively disappear from the web. Mr. Pichai, isn't that anti competitive?

Mr. Pichai: (53:56)

Congressmen, when I run the company, I'm really focused on giving users what they want. We conduct ourselves to the highest standard. Happy to engage, understand the specificity and answer your questions further.

Rep. Cicilline: (54:09)

Thank you. And just one final series of questions, Mr. Pichai, did Google ever use its surveillance over web traffic to identify competitive threats?

Mr. Pichai: (54:19)

Congressmen, just like other businesses, we try to understand trends from data, which we can see, and we use it to improve our products for our users. But we are really focused on improving our products. And that's how-

Rep. Cicilline: (54:34)

I appreciate that Mr. Pichai. Google's own documents and numerous interviews with companies affected by this conduct show that Google did just that. Which is very disturbing and very anti-competitive. In addition to stealing content, Google also began to privilege its own sites. An investigative report published just yesterday found that 63% of web searches that start on Google also ends somewhere on Google's own websites. And to me, that's evidence that Google is increasingly a walled garden, which keeps users on Google sites even if Google doesn't have the most relevant information and it's economically catastrophic for other companies online.

Rep. Cicilline: (55:09)

And so my time is running out, but Mr. Pichai, I'll just end by saying the evidence seems very clear to me. As Google became the gateway to the internet that began to abuse its power. It used its surveillance over web traffic to identify competitive threats and crushed them. It has dampened innovation and new business growth, and it's dramatically increased the price of accessing users on the internet virtually ensuring that any business that wants to be found on the web must pay Google a tax. And with that, I recognize the ranking member of the subcommittee, Mr. Sensenbrenner for his first round of questions.

Rep. Sensenbrenner: (55:41)

Thank you very much, Mr. Chairman. I've been in Congress 42 years, that's coming to an end at the end of this year. I'm breathing a sigh of relief. But during that period of time, during the decade of the '90s and the zeros zeros, I was involved as chairman of the science committee and chairman of this committee. And trying to make the net universal and open it up to everybody. And one of the theses that we used is the net should end up becoming basically the debate on issues, not only in our country, but throughout the world. And in exchange for that, this committee and the Congress gave internet service providers immunity so if somebody said something defamatory in what they posted, the ISPs could not be a part of a lawsuit for defamation.

Rep. Sensenbrenner: (56:38)

Now, after hearing Mr. Jordan, you have a long line of censorship of conservative viewpoints. I'm concerned that the people who manage the net, and the four of you manage a big part of the net, are ending up using this as a political screen. Conservatives are consumers too. And the way the net was put together in the eyes of Congress is that everybody should be able to speak their mind. Mr. Zuckerberg, Mr. Jordan's litany of censorship zeros in ad Facebook. Exactly what are your standards and quote "filtering out political speech" that maybe some people out there don't agree with?

Mr. Zuckerberg: (57:37)

Congressman, thank you for the opportunity to address this. Our goal is to offer a platform for all ideas. We want to give everyone in the world a voice to share their experiences and ideas. A lot of that is day to day things that happen in their lives. Some of it is political. And frankly, I think that we've distinguished ourselves as one of the companies that defends free expression the most. We do have community standards around things that you can and cannot say. I think you would likely agree with most of them. They ban categories of harm, such as promoting terrorist propaganda, child exploitation, incitement of violence, some more legalistic things like intellectual property violations. And they also ban things like hate speech that could lead to dehumanizing people and encouraging violence.

Rep. Sensenbrenner: (58:36)

If I may ask a specific of you. It was reported that Donald Trump Jr. got taken down for a period of time because he puts something up on the efficacy hydroxychloroquine. Now I wouldn't take it myself, but there still is a debate on whether it is effective either in treating or preventing COVID-19. And I think that this is a legitimate matter of discussion. And it would be up to a patient and their doctor to determine whether hydroxychloroquine was the correct medication given the circumstances. Why did that happen?

Mr. Zuckerberg: (59:22)

Congressmen, well first to be clear, I think what you might be referring to happened on Twitter. So it's hard for me to speak to that. But I can talk to our policies about this. We do prohibit content that will lead to imminent risk of harm. And stating that there's a proven cure for COVID when there is in fact none, might encourage someone to go take something that

could have some adverse effects. So we do take that down. We do not prohibit discussion around trials of drugs or people saying that they think that things might work or personal experiences with experimental drugs. But if someone is going to say that that's something is proven when in fact it is not, that could lead people to make a [crosstalk 01:00:04] of their health.

Rep. Sensenbrenner: (01:00:03)

But wouldn't that be up for somebody on the other side of the issue to say that this is not proven? And I know as a fact that for people with certain conditions is contraindicated and they shouldn't take it on that. But wouldn't that be up to somebody else to say, "Okay, what somebody posted on this really isn't true. And here's what the facts are," rather than having a Twitter or a Facebook take it down.

Mr. Zuckerberg: (01:00:37)

Congressman, in general I agree with you and we do not want to become the arbiters of truth. I think that that would be a bad position for us to be in and not what we should be doing. But on specific claims, if someone is going to go out and say that hydroxychloroquine is proven to cure COVID when in fact it has not been proven to cure COVID and that that statement could lead people to take a drug that in some cases, some of the data suggests that it might be harmful to people, we think that we should take that down. That could cause imminent risk of harm.

Rep. Sensenbrenner: (01:01:16)

Thank you. I yield back.

Rep. Cicilline: (01:01:19)

And thank to John. I now recognize the distinguished chair of the full judiciary committee, Mr. Nadler from New York for five minutes.

Rep. Nadler: (01:01:26)

Thank you, Mr. Chairman, Mr. Zuckerberg, I want to thank you for providing us information during our investigation.

Rep. Nadler: (01:01:33)

However, the documents you provided tell a very disturbing story. And that story is that Facebook saw Instagram as a powerful threat that could siphon business away from Facebook. And so rather than compete with it, Facebook bought it. This is exactly the type of anti-competitive acquisition that the antitrust laws were designed to prevent.

Rep. Nadler: (01:01:54)

Now, let me explain what I mean. Mr. Zuckerberg you have written that Facebook can likely always just buy any competitive startups. In fact, on the day Facebook bought Instagram,

would you describe it as a threat, you wrote quote, "One thing about startups is you can [inaudible 00:29:10]." Close quote, Mr. Zuckerberg, you were referring to companies like Instagram in that quote, weren't you?

Mr. Zuckerberg: (01:02:18)

Congressman, I don't have the exact document in front of me, but I have always been clear that we viewed Instagram, both as a competitor and as a compliment to our services. In the growing space after smartphones started getting big. And they competed with us in the space of mobile cameras and mobile photo-sharing.

Mr. Zuckerberg: (01:02:38)

But at the time, almost no one thought of them as a general social network. And people didn't think of them as competing with us in that space. And I think that the acquisition has been wildly successful. We were able to by acquiring them, continue investing in it and growing it as a standalone brand that now reaches many more people than I think either Kevin, the co-founder or I thought would be possible at the time, while also incorporating some of the technology into making Facebook's photos sharing products better. So, yes.

Rep. Nadler: (01:03:15)

Okay. Now in early 2012, when Facebook contemplated acquiring Instagram, a competitive startup, you told your CFO that [inaudible 01:03:24] Instagram could be very disruptive to us. And in the weeks leading up to the deal, you described Instagram as a threat saying that quote, "Instagram can meaningfully hurt us without becoming a huge business." Unquote. Now Mr. Zuckerberg, what did you mean when you described Instagram as a threat, as disruptive? And when you said that Instagram could meaningfully hurt Facebook? Did you mean that consumers might switch from Facebook to Instagram?

Mr. Zuckerberg: (01:03:54)

Congressmen. Thanks for the opportunity to address this. At the time, there was a small but growing field of-

Rep. Nadler: (01:04:03)

Did you mean that consumers might switch from Facebook to Instagram? That was my question.

Mr. Zuckerberg: (01:04:07)

Thanks congressmen.

Rep. Nadler: (01:04:08)

Yes or no? Did you mean that?

Mr. Zuckerberg: (01:04:11)

In the space of mobile photos and camera apps, which was growing, they were a competitor, I've been clear about that.

Rep. Nadler: (01:04:19)

Fine. In February of that year, in February 2012, you told Facebook's chief financial officer that you were interested in buying Instagram. He asked you whether the purpose of the deal was to neutralize a potential competitor or to integrate their products with ours in order to improve our services.

Rep. Nadler: (01:04:36)

You answered that it was a combination of both saying, "What we're really buying is time. Even if some new competitor springs up, those products won't get much traction since we'll already have their mechanics deployed at scale." Mr. Zuckerberg, what did you mean when you answered that the purpose of the deal was to neutralize a potential competitor?

Mr. Zuckerberg: (01:04:55)

Congressman, well, those aren't my words, but yes. I've been clear that Instagram was a competitor in the space of mobile photo sharing. There were a lot of others at the time that competed with apps like VSCO cam and Pic Please, and companies like Path. It was a subset of the overall space of connecting that we exist in. And by having them join us, they certainly went from being a competitor in the space of being a mobile camera to an app that we could help grow and help get more people to be able to use and be on our team. And I think that that's been wildly successful.

Rep. Nadler: (01:05:39)

Well, Mr. Zuckerberg, mergers and acquisitions that buy you off potential competitive threats violate the antitrust laws. In your own words, you purchased Instagram to neutralize a competitive threat. If this was an illegal merger at the time of the transaction, why shouldn't Instagram now be broken off into a separate company?

Mr. Zuckerberg: (01:06:01)

Well, congressmen, I think the FTC ...

Mr. Zuckerberg: (01:06:03)

Well, congressmen. I think the FTC had all of these documents and reviewed this and unanimously voted at the time, not to challenge the acquisition. I mean, I think with hindsight, it probably looks like obvious that Instagram would have reached the scale that it has today. But at the time it was far from obvious, a lot of the competitors that they competed with in mobile sharing I'm including companies like Path, which were hot at the time and had great founders and entrepreneurs running them. Dave Morin and I worked closely with him. I mean, I don't even think Path exists today. It was not a guarantee that Instagram was going to succeed. The acquisition has done wildly well, largely because not just of the founders talent, but because we invested heavily in building up the infrastructure and promoting it and working on security and working on a lot of things around this. I think this has been an American success story.

Rep. Nadler: (01:06:54)

Well, thank you. Mr. Zuckerberg you're making my point. In closing Mr. Chairman, I want to end where I began Facebook by Mr. Zuckerberg on admission and by the documents we have from the time, Facebook so Instagram as a threat that could potentially siphon business away from Facebook. So rather than compete with it, Facebook bought it. This is exactly the type of anti-competitive acquisition that the antitrust laws were designed to prevent. This should never have happened in the first place. It should never have been permitted to happen, and it cannot happen again. I yield back.

Mr. Cicilline: (01:07:29)

Thank you, Mr. Chairman. I would remind the witness that the failures of the FTC in 2012, of course, do not alleviate the antitrust challenges that the chairman described. And with that, I'm going to recognize the gentleman from Colorado. And again, thank him for co-hosting one of the most important field hearings we had along with Mr. Neguse in Colorado and I think was very critical in this investigation. You're recognize for five minutes, Mr. Buck.

Mr. Buck: (01:07:53)

Thank you, Mr. Chairman. I want to offer my appreciation to you for the bipartisan way that you have approached the subcommittee's investigation. I want to start by saying that capitalism is the greatest instrument for freedom this world has ever seen. Capitalism has given the United States the freedom and means to defeat the Soviet Union, beat back fascism and put a man on the moon. This economic system has lifted millions out of poverty. It has made America the freest most prosperous nation in the world. Our witnesses have taken ideas born out of a dorm room, a garage, a warehouse, and built these dreams into four of the biggest power players in the digital global economy. You have all enjoyed the freedom to succeed. Now let me be clear, I do not believe big is necessarily bad. In fact, big is often a force for good.

Mr. Buck: (01:08:41)

However, I want to address one particularly disturbing issue. Mr. Pichai, in October 2018, Google dropped out of the running for Pentagon contract to complete the Joint Enterprise Defense Infrastructure or JEDI contract, which was valued at more than \$10 billion. Google's stated reason for removing itself from the bidding process is that the US military project did not align with Google's corporate values and principles. This is the same US military that fights for our freedoms and stands as a force for good across the globe. These are the same soldiers, sailors, and airmen that sacrificed their lives to ensure you have the freedom to build your company and set your corporate policies without fear of government interference, unlike in communist China. I also find it very interesting that only months after making this decision to withdraw from the JEDI contract. Marine general, Joseph Dunford the chairman of the US Joint Chiefs of Staff warned the Senate Armed Forces Committee that the Chinese military was directly benefiting from Google's work.

Mr. Buck: (01:09:46)

It made me wonder what values Google and communist red China had in common. I asked myself self, is it that the Chinese communist party in prisons weaker Muslims in concentration camps like it has shown on the chart behind me. Could it be the China forces slaves to work in sweat shops? Maybe they align on the design to suppress free speech in Hong Kong. Did Google agree with CCP's decision to lie to the world about the COVID-19 pandemic? Then I thought about Google's dragon fly experiment. I wondered if perhaps you agreed with the Chinese government's use of technology platforms to spy on its own people and enforce draconian security laws. Maybe it's that your company is aligned with the Chinese Communist Party's corporate espionage policies where the strategy is to steal whatever can't be produced domestically. These values that allow Google to work with the Chinese military, but not the US military help explain why Google wouldn't think twice about blatantly stealing a competitor's product right down to the watermark without any hint of attribution.

Mr. Buck: (01:10:56)

Mr. Pichai, during our field hearing in my home state of Colorado, I heard a story that sounded so brazen and contrary to free market principles that I thought it must have been straight from the Chinese Communist Party's corporate espionage playbook. Google took advantage of a company that relied on your search engine to build its brand and compete. Google misappropriated lyrics from Genius Media Group's website and publish those lyrics on Google's own platform. However, Genius caught Google and the act quite literally red handed. When Genius suspected this corporate theft is occurring, the company incorporated a digital watermark in its lyrics that spelled out red handed. In Morse code Google's lyric boxes contain the watermark, showing that your company stole what you couldn't or didn't want to produce yourself, after Google executives stated that they were investigating this problematic behavior.

Mr. Buck: (01:11:48)

Genius created another experiment to determine the scope of the misappropriation. It turns out that out of 271 songs where the watermark was applied, 43% showed clear evidence of matching. Your company, which advertises itself as a doorway to freedom took advantage of this small company, all but extinguishing Genius's freedom to compete. Google is supposed to connect people to information, your corporate values once stood for freedom, a platform that let capitalism flourish and helped bring countless people across the globe out of poverty. My question to you, Mr. Pichai, do you think that Google could get away with following China's corporate espionage playbook, if you didn't have a monopolistic advantage in the market?

Mr. Pichai: (01:12:35)

Congressmen, I want to be able to address the important concerns you raised. First of all, we are proud to support the US government. We recently signed a big project with the Department of Defense, where we are bringing our world class zero trust-based cyber

security approach to help protect Pentagon networks from cyber security attacks. We have projects underway with the Navy, the Department of Veterans Affairs, happy to follow up and explain more. We have a very limited presence in China. We don't offer any of our services, search maps, Gmail, YouTube, et cetera, in China. And with respect to music, we license content payer. In fact, we licensed content from other companies and so this is a dispute between Genius and the other companies in terms of where the source of the content is. But again, happy to engage and explain what we do here further.

Mr. Buck: (01:13:29)

Okay. You are back Mr. Chairman.

Mr. Cicilline: (01:13:31)

Thank the gentleman. I now recognize the gentleman from Georgia, Mr. Johnson, for five minutes.

Mr. Johnson: (01:13:42)

Thank you, Mr. Chairman. Mr. Cook, with over 100 million iPhone users in the United States alone, and with Apple's ownership of the App Store, giving Apple the ability to control which apps are allowed to be marketed to Apple users. You wield immense power over small businesses to grow and prosper. Apple is the sole decision maker as to whether an app is made available to app users through Apple's App Store. Isn't that correct.

Tim Cook: (01:14:16)

Sir, the App Store... Thank you for the questions. The App Store is a feature of the iPhone, much like the camera is and the chip is. And so [crosstalk 01:14:27]-

Mr. Johnson: (01:14:27)

My point is, and I'm sorry to interrupt, but I want to get to the point. Point is that Apple is the sole decision maker as to whether an app is made available to app users through the Apple store. Isn't that correct?

Tim Cook: (01:14:41)

If it's a native app. Yes, sir. If it's a [crosstalk 01:14:45]-

Mr. Johnson: (01:14:45)

Thank you. Thank you. And throughout our investigation, we've heard concerns that rules governing the App Store review process are not available to the app developers. The rules are made up as you go. They operatively interpreted, and enforced and are subject to change whenever Apple sees fit to change. Developers have no choice, but to go along with the changes or they must leave the App Store, that's an enormous amount of power. Also, the rules get changed to benefit Apple at the expense of app developers. The App Store is said to also discriminate between app developers with similar apps on the app platform, and also as two small app developers versus large app developers. So Mr. Cook, does Apple not treat all app developers as equally?

Tim Cook: (01:15:46)

Sir, we treat every developer the same. We have open and transparent rules. It's a rigorous process because we care so deeply about privacy, and security, and quality. We do look at every app before it goes on. But those rules apply evenly to everyone and as you can tell, by going from-

Mr. Johnson: (01:16:10)

Some developers are favored over others though, isn't that correct?

Tim Cook: (01:16:15)

That is not correct. And as you can tell from going from just 500-

Mr. Johnson: (01:16:19)

Sir, I'll give you an example, Baidu has two App Store employees assigned to help it navigate the App Store bureaucracy. Is that true?

Tim Cook: (01:16:35)

I don't know about that, sir.

Mr. Johnson: (01:16:37)

Well, you don't have other app developers who have that same access to Apple personnel, do you?

Tim Cook: (01:16:48)

We do a lot of things with developers, including looking at their beta test outs, regardless of whether they're small or large.

Mr. Johnson: (01:16:56)

Okay. Well, let me ask you this question. Apple has negotiated exceptions to its typical 30% commission for some apps like Amazon Prime that is a reduced commission such as the one that Amazon Prime gets available to other app developers?

Tim Cook: (01:17:18)

It's available to anyone meeting the conditions. Yes.

Mr. Johnson: (01:17:22)

Okay. Well, let me ask you this. Apple requires all app developers to use Apple's payment processing system. If those developers want to sell their goods or services to Apple users through Apple's App Store is in that, correct?

Tim Cook: (01:17:38)

That is correct because it's the [crosstalk 01:17:40]-

Mr. Johnson: (01:17:41)

And by processing payments for apps that you allow into the App Store, you collect their customer data and you use that data to inform Apple as to whether or not it would be profitable for Apple to launch a competing app. Is in that correct?

Tim Cook: (01:18:03)

Sir, 84% of the apps are charged nothing. The remaining 16% either pay 15 or 30, depending upon the specifics. If it's in the second year of a subscription, as an example, it only pays 15%. If you look back in history-

Mr. Johnson: (01:18:21)

What's to stop Apple from increasing its commission to 50%?

Tim Cook: (01:18:25)

Sir, we have never increased commissions in the store since the first day it operated in 2008.

Mr. Johnson: (01:18:34)

There's nothing to stop you from doing so, is it?

Tim Cook: (01:18:37)

No, sir, I disagree strongly with that. There is a competition for developers, just like there's a competition for customers. So the competition for developers, they write their apps for Android or Windows or Xbox or PlayStation. So we have fierce competition at the developer side and the customer side, which is essentially it's so competitive. I would describe it as a street fight for market share in the smartphone business.

Mr. Johnson: (01:19:08)

Has Apple ever retaliated against or disadvantaged a developer who went public about their frustrations with the App Store?

Tim Cook: (01:19:19)

Sir, we do not retaliate or bully people. It's strongly against our company culture.

Mr. Cicilline: (01:19:27)

Time of the gentleman has expired. The chair now recognizes the gentleman from Florida, Mr. Gates.

Mr. Gates: (01:19:32)

Mr. Zuckerberg, in his written testimony made the claim that Facebook is an American company with American values. Do any of the rest of you take a different view? That is to say that your companies don't embrace American values. It's great to see that none of you do. Mr. Pichai I'm worried about Google's market power, how it concentrates that power, and then ultimately how it wields it. Project Maven was a collaboration between Google and the Department of Defense that Google pulled out citing ethical concerns. And you made the decision to pull out of that joint venture, following receipt of a letter from thousands of your

employees saying that Google should not be in the business of war. My question, Mr. Pichai is, did you weigh the input from your employees when making the decision to abandon that project with the United States military?

Mr. Pichai: (01:20:24)

Congressmen thanks for your concern. As I said earlier, we are deeply committed to supporting the military and the US government. We have undertaken several projects since then. We do take our employees input into account, but it's one input. We make decisions based on a variety of factors. As a company, we were new in the cloud space at that time, since then, [crosstalk 01:20:47]-

Mr. Gates: (01:20:46)

Thank you. That's a sufficient answer that you did take their feedback into account. In fact, some of your Googlers have recently sent you a letter where they've asked you to exit other partnerships as a consequence of ethical concerns. They've asked you to stop doing business with American law enforcement saying that police broadly uphold white supremacy and that Google should not be engaged in any services to police. And as you well know, you provide some of the most basic services to police like email, but you also provide services that help keep our cops safe when they're doing their job. So my question is here in front of Congress and the American people, will you take the pledge that Google will not adopt the bigoted anti-police policy that is requested in the most recent letter?

Mr. Pichai: (01:21:36)

Congressmen we have a long track record of working with law enforcement when it is supported by due process and the law, we pushed back against over broad requests. We are transparent about the requests we get, but we have a long history of following the law and cooperating with law enforcement [crosstalk 01:21:56]-

Mr. Gates: (01:22:00)

I understand the history, I'm asking about the future to the law enforcement that are watching today, can they rest assured that under your leadership, Google will not adopt these bigoted anti-police policies?

Mr. Pichai: (01:22:09)

Congressman, we are committed to continuing to work with law enforcement in a way that's consistent with law and due processes in the US.

Mr. Gates: (01:22:17)

Well, I greatly appreciate that. I know that will be very comforting to the police who utilize your services. You mentioned earlier in the discussion about China, that your engagement in China was very limited, but yet Google has an AI China center. The Chinese Academy of Sciences has published a paper saying that that enhanced the targeting capabilities of China's J20 fighter aircraft. You collaborate with Chinese universities that take millions upon

millions of dollars from the Chinese military. As matter of fact, one of your Googlers Fei-Fei Li while under your employ was cited in Chinese state media saying China is like a sleeping giant, when she wakes, she will tremble the world.

Mr. Gates: (01:23:03)

The former secretary of defense, Mr. Shanahan said that the lines have been blurred in China between commercial and military application. And as Mr. Buck cited general Dunford says that your company is directly aiding the Chinese military and Peter Thiel, who actually serves on Mr. Zuckerberg's board at Facebook said that Google's activities with China are treasonous. He accused you of treason. So why would an American company with American values so directly aid the Chinese military, but have ethical concerns about working alongside the US military on project Maven. I understand your point about cybersecurity and those things, but project Maven was a specific to ensure that our troops are safe on the battlefield. If you have no problem making the J20 Chinese fighter more effective in its targeting, why, why wouldn't you want to make America as effective?

Mr. Pichai: (01:24:02)

Congressmen with respect we are not working with the Chinese military. It's absolutely false. I had a chance to meet with general Dunford personally. We have clarified what we do and what we do in China compared to our peers. It's very, very limited in nature. Our AI work in China is limited to a handful of people working on open source projects and happy to share and engage with the office to explain our work in China-

Mr. Gates: (01:24:28)

Gosh. I mean, when the chairman of the Joint Chiefs of Staff says that an American company is directly aiding China, when you have an AI center, when you're working with universities, and when your employees are talking about China trembling the world. It seems to really call into question your commitment to our country and our values. I see my time's expired. I hope we have an additional round. Mr. Chairman.

Mr. Cicilline: (01:24:48)

I thank the gentleman. I now recognize the gentleman from Maryland, Mr. Raskin for five minutes.

Mr. Raskin: (01:24:52)

Thank you, Mr. Chairman. Mr. Zuckerberg, as you know, the proliferation of fake Facebook accounts was a key tool in the strategy of Russian interference in the American election in 2016. American law enforcement, the Senate, the house have all found that Vladimir Putin engaged in a sweeping and systematic campaign to undermine American democracy in 2016, and to work for a victory for Donald Trump. In his remarkable book, Mind blank, and I'm being polite here, Cambridge Analytica and the Plot to Break America, whistleblower Christopher Wylie, who worked for several years at Cambridge Analytica, recounts how the Russian assault on America, in Cambridge Analytica research depended on Facebook.

Mr. Raskin: (01:25:44)

Quote “when Cambridge Analytica launched in the summer of 2014, Steve Bannon’s goal was to change politics by changing culture, Facebook data algorithms, and narratives were his key weapons. The Cambridge Analytica team use these tools to identify people who exhibited the three traits in what they called the dark triad, narcissism Machiavellianism, and psychopathy. They then proceeded to bombard and activate these people, a small percentage of the American public, but still millions of people with increasingly dark and manipulative messages from fake Facebook pages, both to get them to vote for Trump, but more importantly, to activate them as racists and white nationalists.”

Mr. Raskin: (01:26:25)

He goes on to describe the remarkable success of this campaign, both electorally, but also politically in the country, in terms of sowing, the terrible racial and ethnic divisions that you see in America today. So they waged a mass campaign of psychological warfare to polarize America around race and religion, and to activate racists and anti-Semites. And it works splendidly for them, but it didn’t work so well for America. So Mr. Zuckerberg, which parts of this narrative have you addressed, or are you planning to address? Or do you just see that essentially as the cost of being a forum in a marketplace for ideas? Is there nothing that can be done about the use of Facebook to engender social division in America?

Mr. Zuckerberg: (01:27:14)

Congressmen thank you. Since 2016, there have been a lot of steps that we’ve taken to protect the integrity of elections. We’ve hired, I think it’s more than 30,000 people to work on safety and security. We’ve built up AI systems to be able to find harmful content, including being able to find more than 50 different networks of coordinated inauthentic behavior that basically nation states trying to interfere in elections [crosstalk 01:27:45]-

Mr. Raskin: (01:27:44)

Can I pause you. Let me just pause you there for a second, because I’m interested in that. The Stop Hate for Profit Campaign is a coalition that includes The Color of Change, The Anti-Defamation League and other civil rights groups. They’re targeting Facebook right now for a boycott because of the rapid spread of hate messages online, the presence of Boogaloo, and other right wing extremist groups, trying to infiltrate and disrupt black lives matter protests. The fact that outright racist and antisemitic content flourishes on Facebook. So they’re asking you to remove these pages and essentially to join the movement for civil rights by not allowing that kind of content. Their boycotters include a lot of big companies, including Patagonia, Levi, McDonald’s, VW, Heineken and so on, but you seem not to be that moved by their campaign. I just wonder what you think about what they’re asking you to do?

Mr. Zuckerberg: (01:28:40)

Congressmen thanks. We’re very focused on fighting against election interference, and we’re also very focused on fighting against hate speech. Our commitments to those issues and fighting them go back years before this recent movement. Since 2016, the defenses that the company has built up to help secure elections, not just in the US but around the world, I think

are some of the most advanced that any company or government has in the world now. We routinely now collaborate with law enforcement and intelligence agencies and are able to sometimes identify threats coming from other countries before governance are even able to.

Mr. Zuckerberg: (01:29:20)

In terms of fighting hate, we've built really sophisticated systems. Our goal is to identify it before anyone even sees it on the platform. We built AI systems and as I mentioned, have tens of thousands of people working on safety and security with the goal of getting this stuff down so that way before people even see it. And right now we're able to proactively identify 89% of the hate speech that we take down before I think it's even seen by other people. So I want to do better than 89%, I'd like to get that to 99%. But we have a massive investment here, we invest in billions of dollars [crosstalk 01:30:02]-

Mr. Raskin: (01:30:01)

Just my time's almost out, can you just address the proliferation of fake accounts. I understand annually, you get 6.5 billion fake accounts produced there, but in some sense, you have a profit motive that's linked to that. Because that's, what's reported to your investors, the number of accounts. Are you working zealously to try to figure it out these fake accounts that are used to spread hate and disinformation?

Mr. Zuckerberg: (01:30:27)

Absolutely.

Mr. Cicilline: (01:30:27)

The gentleman's time has expired, but the witness may answer the question.

Mr. Zuckerberg: (01:30:31)

Congressmen. Absolutely. We work hard on this. We take down billions of fake accounts a year, a lot of that is just people trying to set up accounts to spam people for commercial reasons. A very small percent of that are nation states trying to interfere in elections, but we're very focused on trying to find those. Having fake and harmful content on our platform does not help our business, it hurts our business. People do not want to see that stuff and they use our services less when they do. So we are aligned with people in order to take that down and we invest billions of dollars a year in doing so.

Mr. Raskin: (01:31:08)

I yield back. Thank you.

Mr. Cicilline: (01:31:10)

The committee will stand in recess for 10 minutes while we fix a technical feed with one of our witnesses.

Speaker 2: (01:32:41)

And Apple, you'd hope that Apple will be good.

Speaker 2: (01:32:44)

(silence)

Mr. Cicilline: (01:44:40)

(silence). We'll come back to order. I now recognize the gentleman from North Dakota, Mr. Armstrong, for five minutes.

Kelly Armstrong: (01:44:45)

Google has received criticism about bias against conservatives and content moderation. There were threats of demonetizing The Federalist, and numerous other complaints of viewpoint suppression. As a result, a significant portion of the American public has lost trust in your company. A lack of public confidence in a product usually means there is economic harm to the company, but that just isn't the case with Google. So I think it's a legitimate question as to whether Google's market power insulates it from loss of revenue, normally associated with offending half the people who use your product. I also think it's a legitimate question to ask if other attempts to regulate your industries have worked. So Mr. Pichai, Google has restricted advertising analytics or the portability of user data related to advertising due to compliance with the General Data Protection Regulation. Specifically in 2018, Google restricted the ability to export the Double ID, a cookie-based identifier that complies individual user data and creates profiles through Google data transfer. Is that correct?

Mr. Pichai: (01:45:52)

Congressman, not familiar with the specifics of that particular issue, but happy to follow up more once I understand it better.

Kelly Armstrong: (01:46:01)

So you're not particularly familiar with how you're complying with GDPR?

Mr. Pichai: (01:46:07)

Congressman, we've long been working to comply with GDPR. We think it's an important regulation and we are in full compliance to the extent of my knowledge. I just meant not aware of that specific issue with the identifier you mentioned there, but happy to understand it better and follow up.

Kelly Armstrong: (01:46:25)

All right. So in order to comply with GDPR, Google must retain control over more user data, and restrict the ability to combine this user data with other platforms to conduct cross-platform analysis. It seems as if that ultimately limits the ability of advertisers to make comparisons between Google based campaigns and non Google based campaigns. Would you agree with that?

Mr. Pichai: (01:46:49)

In all these ecosystems we are balancing between users, advertisers and publishers. We deeply care about the privacy and security of our users. And so when we serve these ecosystems, we have to take that into account. We have to comply with important laws and regulations in every country we operate in. And so that's the delicate balance we are constantly striking. But we are focused on our users and trying to do the best we can.

Kelly Armstrong: (01:47:16)

And I just want to be perfectly clear. I personally believe that the market power consolidation is significant, but I also want to be clear that when we're moving forward to regulate this, that we aren't actually squeezing out competition in our quest to do something because I've said that I've said that before in this hearing, and I'll say it again. Usually in our quest to regulate big companies, we end up hurting small companies more. And I'm a strong privacy advocate, but the consequences of GDPR have been to further entrench large established actors, like Google, leading to regulatory capture that exasperates competition concerns. And Google's digital ad market share has increased since the implementation of GDPR. Do you know that to be correct?

Mr. Pichai: (01:48:00)

Congressman, to just give you a sense of the robust competition we see, ad prices have fallen down by 40% in the past 10 years. And in fact, in the US, advertising as a share of GDP has come down from 1.4% in 1992, to less than 1% today. So we see robust competition in the marketplace. And as I said earlier, we have to comply with regulation, we have to interpret it strictly and we have to balance the ecosystem. But our utmost care is ensuring privacy and security of our users as we serve these markets.

Kelly Armstrong: (01:48:34)

And I'm glad you mentioned privacy because I would be remiss if I didn't deal with this issue because it is so relevant. And I think generally speaking, outside of the political issues and the biases with all of this, and this is for essentially all four of our witnesses. I think one of our bigger concerns when we talk about data and value, and that data having value, and privacy, which is where people really get concerned with how the digital age is moving forward. And there are news reports that law enforcement has made increasing use of what are called geo-fence warrants. And these geo-fence warrants allow authorities to compel technology companies to disclose location records for any device in a certain area at a particular time.

Kelly Armstrong: (01:49:13)

Court filings suggest that Google receipt of a 1,500% increase in geo-fence requests from 2017 to 2018, and a 500% increase from 2018 till 2019. And so the Fourth Amendment requires probable cause and specificity, and that's not what these are. These warrants are essentially for any person, in an area, at a particular time. And geo-fence warrants require neither. So unless a company by particularized information and identifying a subject, geo-

warrants are essentially general warrants. I believe that the location information should be considered as contents of the Electronic Communications Act, under the Stored Communications Act. Do you agree?

Mr. Pichai: (01:49:58)

Happy to understand more. We deeply care about... This is why we issued transparency reports because we think it's an important area for Congress to have oversight. And we recently made a change by which we automatically delete location activity after a certain period of time by default for our users. So we are happy to engage with your office, Congressman, and [crosstalk 00:11:20].

Kelly Armstrong: (01:50:19)

And I'm using you because these are going on in Virginia and New York, I think right now. But I mean, this equates for everything. I think people would be terrified to know that law enforcement could grab general warrants and get everybody's information anywhere. So it requires Congress to act, and it requires everybody that has a witness in this hearing to be willing to work too. Because it is the single most important issue I think we're going to-

Mr. Cicilline: (01:50:38)

The time of the gentleman has expired, but I believe he has a unanimous consent request.

Kelly Armstrong: (01:50:42)

I do. I have a unanimous consent requests for a Wall Street Journal article. Police request for Google user's location history face new scrutiny.

Mr. Cicilline: (01:50:51)

Without objection?

Kelly Armstrong: (01:50:52)

And then I have two letters. The letters are from Congressman Walden, Congresswoman McMorris Rodgers. The first letter is to Mr. Cook of Apple. The second letter is to Mr. Pichai of Google.

Mr. Cicilline: (01:51:03)

Without objection. Both may be entered into record. I now recognize the gentlelady from Washington, Ms. Jayapal.

Pramila Jayapal: (01:51:09)

Thank you, Mr. Chairman, and thank you all for being with us. Mr. Bezos, in July, 2019, your employee, Nate Sutton, told me under oath in this committee that Amazon does not quote, "Use any specific seller data when creating its own private brand product." So let me ask you, Mr. Bezos, does Amazon ever access and use third party seller data when making business decisions? And just a yes or a no will suffice, sir.

Jeff Bezos: (01:51:37)

Thank you for the question. I know it's an important topic, and I also want to thank you for representing us. I can't answer that question yes or no. What I can tell you is we have a policy against using seller specific data to aid our private label business, but I can't guarantee you that that policy has never been violated.

Pramila Jayapal: (01:51:59)

Mr. Bezos, you're probably aware that an April, 2020 report in the Wall Street Journal revealed that your company does access data on third party sellers, both by reviewing data on popular individual sellers on products, and by creating tiny product categories that allowed your company to categorically access detailed seller information in a supposedly aggregate category. Do you deny that report?

Jeff Bezos: (01:52:26)

I'm familiar with the Wall Street Journal article that you're talking about, and we continue to look into that very carefully. I'm not yet satisfied that we've gotten to the bottom of it, and we're going to keep looking at it. It's not as easy to do as you would think, because some of the sources in the article are anonymous, but we continue to look into it.

Pramila Jayapal: (01:52:42)

I'll take that as a, you're not denying that, you're looking into it. I will tell you a former Amazon employee in third party sales and recruitment told this committee, quote, "There's a rule, but there's nobody enforcing or spot checking. They just say, 'don't help yourself to the data.' It's a candy shop. Everyone can have access to anything they want." Do category managers have access to non-public data about third party products and businesses?

Jeff Bezos: (01:53:07)

Here's what I can tell you that we do have certain safeguards in place. We train people on the policy. We expect people to follow that policy the same way we would any other. It's a voluntary policy, as far as I'm aware, no other retailer limits their use of data at all. [crosstalk 01:53:26].

Pramila Jayapal: (01:53:27)

So there's no actual enforcement? There's no actual enforcement of that policy? So it's voluntary and there's no actual enforcement, so maybe that answers my-

Jeff Bezos: (01:53:35)

No, I think I may have misspoke. I'm trying to say that the fact that we have such a policy is voluntary. I think no other retailer even has such a policy. Our enforcement of that policy, we would treat that like any internal policy. And if we found that so violated it, we would take action against them.

Pramila Jayapal: (01:53:55)

Well there's numerous reports, and the committee has conducted interviews with former employees, who confirm that there are employees who do have access to that data and are using it. And so my next question was going to be, if you thought you were actually enforcing these rules, do you think that that's working? And again, I would just say that there's credible reporting that's documented breaches of these rules that you have put into place. And the committee has interviewed employees that say that these breaches typically occur. Let's talk about aggregate data for a minute. Your rules do allow for you to access combined data on a product when there are only one or two sellers in the marketplace, correct?

Jeff Bezos: (01:54:38)

Yes. Aggregate data is allowed under our policies. That is correct.

Pramila Jayapal: (01:54:42)

Okay. And interviews with former employees have made it clear that that aggregate data essentially allows access to highly detailed data in those product categories. There's the example of, Fortem, a small business that had no direct competitors, except for Amazon warehouse deals, a resale clearance account that only sold 17 units. An Amazon employee accessed a detailed sales report on Fortem's product, with information on how much the company spent on advertising per unit and the cost to ship each trunk. And then Amazon launched its own competing products in October, 2019. That's a major loophole. And I go back to the general council's statement to this committee, very clearly that there was no access to this data, that Amazon does not use that data for its own benefit. And I'm now hearing you say, well, you're not so sure that that's going on.

Pramila Jayapal: (01:55:35)

And the issue that we're concerned with here is very simple. You have access to data that far exceeds the sellers on your platforms with whom you compete. You can track consumer habits, interests, even what consumers clicked on, but then didn't buy. You have access to the entirety of sellers' pricing and inventory information past, present, and future. And you dictate the participation of third party sellers on your platform. So you can set the rules of the game for your competitors, but not actually follow those same rules for yourself. Do you think that's fair to the mom and pop third-party businesses who are trying to sell on your platform?

Jeff Bezos: (01:56:15)

I appreciate that question. I like it a lot because I really want a chance to address that. I'm very proud of what we've done for third party sellers on this platform. We started our third party platform 20 years ago, and we had zero sellers on it. eBay was-

Pramila Jayapal: (01:56:31)

The question I'm asking... I'm sorry. I'm so sorry. My time is expiring. And the question I wanted to ask you is that you have access to data that your competitors do not have. So you might allow third party sellers onto your platform, but if you're continuously monitoring the data, to make sure that they're never going to get big enough that they can compete with

you, that is actually the concern that the committee has. And I think your company started in my district, I want to thank you for that, I want to thank you for the work that you've done. And say that the whole goal of this committee's work is to make sure that there are more Amazons, that there are more Apples, that there are more companies that get to innovate and small businesses get to thrive. And that is what we're trying to get at. That is why we need to regulate these marketplaces so that no company has a platform so dominant that it is essentially a monopoly. Thank you, Mr. Chairman, I yield back.

Mr. Cicilline: (01:57:26)

The time of the gentlelady has expired. I just wanted to remind the witnesses, we appreciate the gratitude for the questions and your description of them as good questions, but we'll just assume that they're good questions and you're happy to answer them, so we can make sure we're making good use of your time. And with that, I recognize the gentleman from Florida, Mr. Steube.

Greg Steube: (01:57:46)

Thank you, Mr. Chairman. Mr. Pichai, I'd like to start with you, and I'm just going to illustrate my question with a factual incident that actually occurred to me. Several months ago, my wife called and said, "Hey, there's a good article on The Gateway Pundit that you should read." So I was up here in Washington, out of curiosity I Googled Gateway Pundit. And it didn't show up on the first page, didn't show up on the second page. There was a bunch of different blogging sites about how there were disagreements with what was on The Gateway Pundit, but I actually had to type in gatewaypundit.com to get to it. Interestingly, Google didn't allow me to get to the actual website. That was a couple of months ago, before this hearing was set to be heard, before this hearing was noticed, before you knew that you would be appearing before us today, and that this is an issue that obviously conservatives and Republicans have had.

Greg Steube: (01:58:41)

Last week after this was noticed, this hearing was noticed, I did the exact same thing here in the Capitol. And wouldn't you know it, I Googled Gateway Pundit, and that was the very first website that came up. Now, this isn't from a constituent in my district. This isn't from somebody telling me, this isn't a news report. I actually physically did this on my laptop here in the Capitol several months ago, and then today. So clearly something had happened between not being notified that you were going to be appearing before our committee. And then last week, knowing that you would be appearing before our committee. And suddenly conservative websites are now at the top of the bar when you search for them.

Greg Steube: (01:59:18)

So was there anything done at Google between a couple of months ago and last week or the week, before you appearing today, that has changed your approach to silencing conservative websites?

Mr. Pichai: (01:59:32)

Congressman, we approach our work with a deep sense of responsibility, in a nonpartisan way. We want to serve all our users, no matter where they are. In fact, it's in our longterm business incentive to do so. And I believe on our platforms, including YouTube, there are more conservative voices than ever before. And we believe in freedom of expression. On the specific issue, I will have to look into it. I obviously wasn't aware of it. It could be a number of reasons. We constantly get reports from both sides of the aisle-

Greg Steube: (02:00:08)

So if you're going to look into it for me, can I expect a response from you say in the next two weeks as to why that occurred?

Mr. Pichai: (02:00:16)

Congressman, we'll do our best to follow up and I'll engage with your office to [crosstalk 00:21:22].

Greg Steube: (02:00:22)

We'll follow up on that. I've got a similar question. So I've been in elected politics for almost 10 years. And when I was in the Florida Senate, in the state Senate, I never had a problem with my campaign emails being marked as spam, or going to junk folders, or anything along those lines. And we had 30, 40, 50,000 people on our email lists. And suddenly, I get elected to Congress, and I'm now up here in Washington, DC, and my parents, who have a Gmail account, aren't getting my campaign emails. My supporters, just last week one of my supporters called me and said, "Hey, I just want you to know this, that my Gmail account suddenly is taking your campaign emails that I've received for almost 10 years, and suddenly they're going to spam and junk folders."

Greg Steube: (02:01:06)

This appears to only be happening to conservative Republicans. I don't see anything in the news, or anything in the press, or other members on the other side of the aisle talking about their campaign emails getting thrown into junk folders in Gmail. So my question is, why is this only happening to Republicans? And it's a fact it's happening, because I can have my supporters testify that they've received my emails for eight years, eight, nine years, and suddenly this last year, my campaign emails in their Gmail are going to their spam folder. So if you could give me some clarification on that, I would appreciate it.

Mr. Pichai: (02:01:42)

In Gmail, we are focused on what users want. And users have indicated they want us to organize their personal emails, emails they receive from friends and family separately. And so all we have done is we have a tabbed organization, and the primary tab has emails from friends and family, and the secondary tab has other notifications and so on. These things are-

Greg Steube: (02:02:04)

Well, it was my father who was not receiving now my campaign emails, so clearly that familial thing that you're talking about didn't apply to my emails.

Mr. Pichai: (02:02:19)

Our systems probably are not able to understand that it's your father. Obviously, we don't have that context there. We just apply it neutrally across all organizations and [crosstalk 02:02:35].

Greg Steube: (02:02:36)

My time's short. One last question. What assurances can you give me that any bias amongst your employees, isn't influencing your spam folder algorithms?

Mr. Pichai: (02:02:46)

Congressman, there's nothing in the algorithm, which has anything to do with political ideology, and we do get complaints across the aisle. For example, The World Socialist Review complained in January of this year that their site wasn't found in Google search results. So we get complaints, we look into it, but we approach our work in a nonpartisan way. And it's in our longterm incentive to serve users across the country. And today, that's why we invest in our [inaudible 02:03:16] in 49 states across the US, so that we can capture all viewpoints.

Mr. Cicilline: (02:03:19)

Thank you. The gentleman's time has expired. I now recognize the gentlelady from Florida, Ms. Demings, for five minutes.

Val Demings: (02:03:25)

Thank you so much, Mr. Chairman. And let me just say, just for the record, I'm a Democrat from Florida, and I've heard complaints about my emails going into spam as well. And I'm sure other Democratic members have had the same experiences, unfortunately. Mr. Pichai, in 2007 Google purchased DoubleClick, the leading provider of certain advertising tools, is that correct?

Mr. Pichai: (02:03:49)

That's correct, Congresswoman.

Val Demings: (02:03:53)

When Google proposed the merger alarm bells were raised about the access to data Google would have, specifically the ability to connect a user's personal identity with their browsing activity. Google, however, committed to Congress and to the antitrust enforcers that the deal would not reduce user privacy. Google chief legal advisor testified before the Senate antitrust subcommittee that Google wouldn't be able to merge this data, even if it wanted to, given

contractual restrictions. But in June of 2016, Google went ahead and merged this data anyway, effectively destroying anonymity on the internet. Mr. Pichai, you became CEO of Google in 2015. Is that correct?

Mr. Pichai: (02:04:42)

That's right.

Val Demings: (02:04:42)

Okay. And this change was made in 2016, is that correct?

Mr. Pichai: (02:04:48)

That's my understanding.

Val Demings: (02:04:50)

Okay. Thank you for that. Did you sign off on this decision to combine the sets of data that Google had told Congress would be kept separate?

Mr. Pichai: (02:05:02)

Congresswoman, any changes we made, we complied-

Val Demings: (02:05:05)

Mr. Pichai, with all due respect, please, did you sign off on the decision or not?

Mr. Pichai: (02:05:13)

I review, at a high level, all the important decisions we make. We deeply care about privacy and security of our users [crosstalk 02:05:22].

Val Demings: (02:05:20)

So you signed off on the decision? Okay. You signed off on the decision. Practically, this decision meant that your company would now combine, for example, all of my data on Google, my search history, my location from Google Maps, information from my emails from Gmail, as well as my personal identity with a record of almost all of the websites I visited. That is absolutely staggering. According to an email from a DoubleClick executive, that was exactly the type of reduction in user privacy that Google's founders had previously worried would lead to a backlash. And I quote, "They were unwavering on the policy, due to philosophical reasons, which is Larry and Sergey's fundamentally not wanting users associated with a cross-site cookie. They were also worried about a privacy storm as well as damage to Google's brand. So in 2007 Google's founders feared making this change because they knew it would upset their users. But in 2016, Google didn't seem to care."

Val Demings: (02:06:33)

Mr. Pichai, isn't it true that what changed between 2007 and 2016 is that Google gained enormous market power? So while Google had to care about user privacy in 2007, it no longer had to in 2016. Would you agree that what changed was Google gained enormous market power?

Mr. Pichai: (02:06:58)

Congresswoman, this is an important issue. If I could explain, we today, make it very easy for users to be in control of their data. We have simplified their settings, they can turn ads personalization on our off, we have combined most of activity settings into three groupings. We remind users to go to a privacy checkup, 1 billion users have done so. [crosstalk 02:07:20].

Val Demings: (02:07:20)

Okay, Mr. Pichai, thank you so much for that. I am concerned that Google's bait and switch with DoubleClick is part of a broader pattern, where Google buys up companies for the purposes of surveilling Americans. And because of Google's dominance, users have no choice but to surrender. In 2019 Google made over 80% of its total revenue through selling of ad placement. Is that correct? Mr. Pichai?

Mr. Pichai: (02:07:47)

A majority of the business-

Val Demings: (02:07:49)

About 80%? Yeah. Okay. And because Google sells behavioral ads, ads targeted to each of us as individuals, the more user data that Google collects, the more money Google can make. More user data means more money, is that correct?

Mr. Pichai: (02:08:05)

In general, that's not true. For example [crosstalk 02:08:09]-

Val Demings: (02:08:09)

More user data, not the more money Google collects? I'm sorry, please. You're saying that the more user data does not mean the more money that Google can collect?

Mr. Pichai: (02:08:23)

Congresswoman, most of the data today we collect is to help users and provide personalized experiences back. Ad data is [crosstalk 02:08:29].

Val Demings: (02:08:31)

Thank you so much, Mr. Pichai. Mr. Chairman, I yield back.

Mr. Cicilline: (02:08:34)

I thank the gentlelady. The chair now recognizes the ranking member of the full committee, Mr. Jordan, for five minutes.

Rep. Jordan: (02:08:41)

Thank you, Mr. Chairman. Mr. Pichai, is Google going to tailor its features to help Joe Biden in the 2020 election?

Mr. Pichai: (02:08:50)

Congressman, we approach our work... We support both campaigns today. We think political ads is an important part of free speech in democratic societies. And we engage with campaigns, according to law and we approach our work in a nonpartisan way.

Rep. Jordan: (02:09:05)

It was a yes or no question. Can you assure Americans today you won't tailor your features to help Joe Biden in the upcoming election?

Mr. Pichai: (02:09:17)

We support work that campaigns do. I just want to make sure I am [crosstalk 02:09:22].

Rep. Jordan: (02:09:21)

I understand that. We all do all kinds of online social media, all kinds of that outreach, that communication. This is a simple question. Can you today assure Americans you will not tailor your features in any way to help, specifically help, one candidate over other? And what I'm concerned about is you helping Joe Biden over President Trump.

Mr. Pichai: (02:09:42)

We won't do any work to politically tilt anything one way or the other. It's against our core values.

Rep. Jordan: (02:09:49)

But you did it in 2016. There's an email in 2016, that was widely circulated amongst the executives at your company that got public where Ms. Eliana Murillo, head of your multicultural marketing, talks about the silent donation Google made to the Clinton campaign. And you applauded her work, she points that out in the email. I'm just curious if you did it in '16. I want to make... And in spite of the fact he did it in '16, President Trump won. I just want to make sure you're not going to do it again in 2020.

Mr. Pichai: (02:10:24)

Congressman, I recall our conversation at that time, and I appreciate your concern. We didn't find any evidence of such activity. And I took the opportunity after our conversation to reinforce to the company, we realized even an appearance could be improper. So we have clearly communicated to our employees, any personal political activity while that's their right, needs to happen on their own time and resources, and should avoid any use of company-

Rep. Jordan: (02:10:51)

Well, of course. Everyone's got their First Amendment rights to campaign for who they want. What they can't do is configure your features to help one candidate over the other. So you might have not have found any evidence, but here's what she wrote to the email, to a number of key executives in your company. Quote, "We pushed to get out the Latino vote with our features." Second quote, "We pushed to get out the Latino vote with our features in key states." Seems to me those last three words are the real qualifier here. That's

electioneering. When you're trying to increase the Latino vote in key states. And she had already communicated that she was supporting Clinton, that she wanted Clinton to win. So when she talks about increasing the Latino vote, which she assumed was going to help Candidate Clinton, and she's doing that in key states.

Rep. Jordan: (02:11:36)

It's one thing if you're going to increase the Latino vote around the country. If you're just a good corporate citizen, you're urging people to vote. It's quite another when you're focusing on in key states. And you know what those key states were? Nevada and Florida, the swing states. So again, I want to make sure this isn't going to happen in 2020.

Mr. Pichai: (02:11:54)

I can assure you that we complied with laws in 2016 as a company. Any work we do around elections is nonpartisan. Our users do-

Mr. Pichai: (02:12:03)

... we do around elections is nonpartisan. Our users do come to us for understanding where polling places are. Which is the date toward what the voting hours are. We are committed to providing that information, and I can assure you that we will approach [crosstalk 02:12:15]-

Rep. Jordan: (02:12:15)

Mr. Pichai, here's the question I think is on so many American's minds. They saw the list that we read here earlier on in our opening statements. All the things Google has done. Google is siding with the World Health Organization over anyone who disagrees with them, even though the World Health Organization obviously lied to America, obviously shills for China. Google is siding with them, YouTube is siding with them. We have the history of all the things Google has done. And the history of what happened in 2016 in the election, where they obviously, according to one of your multicultural marketing executive, tried to help Clinton. And here we are 97 days before the election, and we want to make sure it's not going to happen again. Can you give us two assurances. One, you're not going to try to tailor your features, configure your platform in a way to help Joe Biden. And second, that you're not going to use your search engine to silence conservatives. Can you give us those two assurances today?

Mr. Pichai: (02:13:07)

Congressmen, on our search engine conservatives have more access to information than ever before [crosstalk 00:01:11]-

Rep. Jordan: (02:13:11)

And we appreciate that. That wasn't the question. Can you assure us today you're not going to try to silence conservatives? And can you assure us today you're not going to try to configure your features as Ms. Murillo said you did for Clinton in '16? Can you assure us today you're not going to do the same thing for Joe Biden in 2020?

Mr. Pichai: (02:13:29)

You have my commitment. It's always been true, and we will continue to conduct ourselves in a neutral way.

Rep. Jordan: (02:13:35)

Appreciate it. Yield back.

Rep. Cicilline: (02:13:38)

The chair now recognizes the gentlelady from Pennsylvania, Ms. Scanlon.

Ms. Scanlon: (02:13:42)

Thank you, gentlemen. I'd like to redirect your attention to antitrust law rather than fringe conspiracy theories. Mr. Bezos, our investigations [crosstalk 00:01:51]-

Rep. Jordan: (02:13:51)

Mr. Chairman, we have the email. There is no fringe [crosstalk 00:02:13:54].

Speaker 3: (02:13:55)

It's not your time.

Rep. Cicilline: (02:13:56)

Mr. Jordan, you do not have the time, please be respectful of your [crosstalk 02:13:59] colleague. She controls that time.

Rep. Cicilline: (02:14:01)

Put your mask on. [crosstalk 02:14:02] Put your mask on, Mr. Jordan.

Rep. Jordan: (02:14:04)

Mr. Raskin [crosstalk 02:14:05] talk about mask.

Rep. Cicilline: (02:14:07)

Mr. Jordan, Ms. Scanlon [crosstalk 00:02:08]-

Rep. Jordan: (02:14:08)

Why would the deputy secretary treasury unmask Michael Flynn's name, Mr. Raskin? [Crosstalk 02:14:13] And what I want to know is [crosstalk 02:14:15] when someone comes after from motives for asking questions, I get a chance to respond.

Rep. Cicilline: (02:14:18)

The gentlelady is recognized.

Ms. Scanlon: (02:14:20)

Thank you, Mr. Chairman. Mr. Bezos, our investigation uncovered documents that show that Amazon sometimes doesn't play fairly crossing the line from robust competition to predatory pricing to destroy rivals rather than out-compete them. And let's take the example of Quincy, which used to own diapers.com, and provided online baby care products. In 2009, your team

viewed diapers.com as Amazon's largest and fastest growing online competitor for diapers. One of Amazon's top executives said that diapers.com keeps the pressure on pricing on us. And strong competition from diapers.com meant that Amazon was having to work harder and harder so that customers didn't pick diapers.com over Amazon. And the customers we're talking about were hardworking families, single parents with babies and young children.

Ms. Scanlon: (02:15:13)

Now because diapers.com was so successful, Amazon saw it as a threat. The documents that we've obtained show that Amazon employees began strategizing about ways to weaken this company. And in 2010, Amazon hatched a plot to go after diapers.com and take it out. In an email that I reviewed, and we've got these up on the slides. One of your top executives proposed to you a, quote, "aggressive plan to win", end quote, against diapers.com. A plan that sought to undercut their business by temporarily slashing Amazon prices. We saw one of your profit and loss statements, and it appears that in one month alone, Amazon was willing to bleed over \$200 million in diaper profit losses. Mr. Bezos, how much money was Amazon ultimately willing to lose on this campaign to undermine diapers.com?

Jeff Bezos: (02:16:10)

Thank you for the question. I don't know the direct answer to your question. This is going back in time, I think maybe 10 or 11 years or so. You can give me maybe the dates on those documents. But what I can tell you is that the idea of using diapers and products like that to attract new customers who have new families is a very traditional idea.

Ms. Scanlon: (02:16:32)

Sure, well let's [crosstalk 02:16:34] delve into this a little further. I'm sorry. You know I only have a few minutes here. So I just want to [crosstalk 02:16:39] press on. Your own documents make clear that the price war against diapers.com worked. And within a few months it was struggling, and so then Amazon bought it. After buying your leading competitor here, Amazon cut promotions like Amazon.mom, and the steep discounts it used to lure customers away from diapers.com. And then increase the prices of diapers for new moms and dads. Mr. Bezos, did you personally sign off on the plan to raise prices after Amazon eliminated its competition?

Jeff Bezos: (02:17:13)

I don't remember that at all. I remember-

Ms. Scanlon: (02:17:16)

Thank you.

Jeff Bezos: (02:17:17)

... is that we matched competitive prices. And I believe we followed diapers.com. Again, this is 11 years ago, so you're asking a lot of my memory. But I believe we followed diapers.com. I can also tell you, after we bought diapers.com [crosstalk 02:17:27]-

Ms. Scanlon: (02:17:27)

Okay. Just moving on. You're claiming my time, sir. I'm sorry. So you said that Amazon focuses excessively on customers. So how would customers, especially single moms, new families, how would they benefit when the prices were driven up by the fact that you eliminated your main competitor?

Jeff Bezos: (02:17:50)

Well, I don't agree. With great respect, I don't agree with the premise. At the same time you should recognize in context, diapers is a very large product category sold in many, many places. Not just [crosstalk 02:18:03]-

Ms. Scanlon: (02:18:03)

Right. But this was the online diaper market. Now, [crosstalk 02:18:06] we do have evidence that these predatory... I'm sorry, Mr. Bezos, I need to push on here.

Jeff Bezos: (02:18:13)

Of course. Sorry.

Ms. Scanlon: (02:18:13)

The evidence we've collected suggests that the predatory practices weren't unique here. In 2013, it was reported that you instructed Amazon employees to approach discussions with certain business partners. And I quote, "the way a cheetah would pursue a sickly gazelle". Is the gazelle project still in place? And does Amazon pursue similar predatory campaigns in other parts of its business?

Jeff Bezos: (02:18:38)

I cannot comment on that, because I don't remember it. What I can tell you is that we are very, very focused on the customer, as you started.

Ms. Scanlon: (02:18:49)

Okay. [crosstalk 02:18:50] I'm concerned with the customers as well, especially the families in my district. I'm sorry, Mr. Bezos, I'm almost out of time. I'm concerned too, because especially with the current pandemic, one of the biggest needs I'm seeing at the food drives and the giveaways that we're having to run in my district is that families don't have diapers. And we have to collect them to give them out. So it certainly is something that has a really hard impact on families. And I'm really concerned that pricing might've been driven up here by this tactic. And I yield back.

Rep. Cicilline: (02:19:23)

The gentlelady yields back. I just announced that votes have been called, but we're going to continue with the hearing. So I invite colleagues to vote, it's a rolling vote. So vote according to your own schedule. I now recognize the gentleman from Colorado, Mr. Neguse, for five minutes.

Mr. Neguse: (02:19:38)

Thank you, Mr. Chairman. And I want to thank each of the witnesses today for your testimony. Mr. Zuckerberg, in 2004, when you had launched Facebook, it's fair to say, I think you'd agree with me that you had quite a few competitors. Would you agree with that?

Mr. Zuckerberg: (02:19:55)

Congressman, yes.

Mr. Neguse: (02:19:57)

MySpace, Friendster, Google's Orcutt, Mixi, Cyworld, Yahoo 360, AOL's Bebo, they were all competitors?

Mr. Zuckerberg: (02:20:06)

Congressman, those were some of the competitors at the time. And it's only gotten a lot more competitive since.

Mr. Neguse: (02:20:11)

Well let's talk about that, because by 2012, Mr. Zuckerberg, none of those companies that I just identified existed. You're certainly aware of that. They were all basically gone. Facebook, in my view, I think was in a monopoly by then. I wonder whether you would agree with that. I take it you don't?

Mr. Zuckerberg: (02:20:30)

Congressman, that's correct. I don't. We face a lot of competitors in every part of what we do. From connecting with friends privately, to connecting with people in communities, to connecting with all your friends at once, to connecting with all kinds of user generated content. I mean, I would bet that you or most people here have multiple apps for each of those on your phones. [crosstalk 00:02:20:54]-

Mr. Neguse: (02:20:55)

Mr. Zuckerberg, why don't we dig into this a bit further. So you and I clearly disagree about that. In 2012, I'm looking at a document that was produced by Facebook in response to the subcommittee's investigation. It's a presentation prepared for Sheryl Sandberg to deliver to the board of directors of a major telecommunications firm. Boasting that, quote, "Facebook is now 95% of all social media in the United States." The title of the slide is even, quote, "The industry consolidates as it matures." So as I look at that graph, I certainly think most folks would concede that Facebook was a monopoly as early as 2012. But nonetheless, I understand that we disagree on that point. Would you agree with me that Facebook, it's strategy since that time, to essentially protect what I describe as a monopoly, but obviously what you would describe as market power, that Facebook has been engaged in purchasing competition, in some cases replicating competition, and in some cases eliminating your competition? Would that be a fair statement?

Mr. Zuckerberg: (02:21:55)

Congressman, the space of people connecting with other people is a very large space. And I would agree that there were different approaches that we took to addressing different parts of that space. But it's all in service of building the best services for [crosstalk 02:22:13]-

Mr. Neguse: (02:22:13)

And I appreciate that, Mr. Zuckerberg. I appreciate the latter point. It sounds like you are conceding that at least some of those strategies were what I identified. And so I want to talk a little about that. In 2014, here's an email, it's from Facebook's current chief financial officer described the company's acquisition strategy as quote, "a land grab". And saying that "we are going to spend 5-10% of our market cap every couple of years to shore up our position." And my sense of the facts is that is, in fact, what has occurred. Facebook, as you conceded, you conceded earlier that Instagram was a competitor of Facebook's. You acquired Instagram in 2012. Instagram is now the sixth largest social media platform in the world. Is that right?

Mr. Zuckerberg: (02:22:54)

Congressman, I'm not sure what rank it is, but it's certainly grown beyond our wildest [crosstalk 02:22:59]-

Mr. Neguse: (02:22:59)

I can represent to you that the statistics demonstrate, the empirical data shows it's the six largest. In 2014, Facebook bought its competitor WhatsApp, is that correct?

Mr. Zuckerberg: (02:23:09)

Congressman, yes. WhatsApp was also both a competitor and complimentary. They competed with us in the space of mobile messaging, which is a growing and important space. And is, again, one part of the global space of how people connect more broadly.

Mr. Neguse: (02:23:25)

Understood. And at that time, WhatsApp had over 400 million monthly users, a clear path towards one billion monthly active users. And WhatsApp is now the second largest social media platform in the world, with two billion users worldwide, more than Facebook Messenger. And, of course, your company owns WhatsApp. Facebook also tried to buy other competitive startups. In fact, as Chairman Nadler noted, you did tell one of Facebook senior engineers in 2012, that you can, quote, "likely just buy any competitive startup, but it'll be a while before we can buy Google." Do you recall writing that email?

Mr. Zuckerberg: (02:24:02)

Congressman, I don't specifically, but it sounds like a joke.

Mr. Neguse: (02:24:06)

Well, I don't take it as a joke. As I review the email, it was in regards to having just closed the Instagram sale. And the response from this individual, this engineer, to you was quote, "well-

played”. Your response was, “Thanks. One reason people underestimate the importance of watching Google is that we can likely always just buy any competitive startups, but it’ll be a while before we can buy Google.” And given the purchases that Facebook had made previous to this, and the attempted purchases, my understanding is that Facebook made several overtures to Snapchat, for example, which rebuffed those efforts, clearly demonstrates in my view that that email was not made in jest.

Mr. Neguse: (02:24:45)

But here’s why I ask these questions, Mr. Zuckerberg. It strikes me that over the course of the last several years, Facebook has used its market power to either purchase or replicate the competition. And Facebook, Facebook Messenger, WhatsApp, Instagram, are the most now downloaded apps of the last decade. Your company, sir, owns them all. And we have a word for that, that word is monopoly. With that, I would yield back Mr. Chairman.

Rep. Cicilline: (02:25:11)

I thank the gentleman. I now recognize the gentlelady from Georgia, Ms. MacBath for five minutes.

Ms. McBath: (02:25:15)

Thank you, Mr. Chairman. Mr. Bezos, you referred to third party sellers today as Amazon’s partners, and that your success depends on their success. But over the past year we’ve heard a completely different story. As part of this investigation, we’ve interviewed many small businesses, and they use the words like bullying, fear, and panic to describe their relationship with Amazon. I’m going to share the story of a small business owner who is also a wife and a mother, so you can understand how this is actually affecting the lives of everyday people, and why this truly matters.

Book Seller: (02:25:55)

We were a top book seller on amazon.com, and we worked day and night, very hard towards growing our business and maintaining a five star feedback rating. Most importantly, this business feeds a total of 14 people, which includes three children and one 90 year old granny. And as we grew, we were shrinking Amazon’s market share in the textbooks category. So now in retaliation, Amazon started restricting us from selling. They started with a few titles in early 2019, and within six months Amazon systematically blocked us from selling the full textbook category. We haven’t sold a single book from the past 10 months, or probably more. We were never given a reason. Amazon didn’t even provide us with a notice as to why we were being restricted. There was no warning. There was no plan.

Ms. McBath: (02:26:51)

So Mr. Bezos, after Amazon de-listed the small business without any apparent reason or notice, she told us that they sent more than 500 separate communications to Amazon, including to you Mr. Bezos, over the past year. And there was not a single meaningful response. Do you think this is an acceptable way to treat someone that you described as both a partner and a customer?

Jeff Bezos: (02:27:19)

No, Congresswoman. And I appreciate you showing me that anecdote. And I would like to talk to her. It does not at all to me seem like the right way to treat her. And I'm surprised by that. And it's not the systematic approach that we take, I can assure you. I don't even understand what's going on in that anecdote, because we would love for third party sellers to sell books.

Ms. McBath: (02:27:45)

Respectively, sir. [Crosstalk 02:27:45]-

Jeff Bezos: (02:27:45)

I don't understand it, but I would like to understand it better. And with your permission [crosstalk 00:02:27:49]-

Ms. McBath: (02:27:51)

Respectively, sir-

Jeff Bezos: (02:27:51)

I would like to get in touch with your office.

Ms. McBath: (02:27:52)

I think, though, that you're missing the point. This is not just about one business. I'm concerned that this is a pattern of behavior. And basically this pattern of behavior has to change. Mr. Bezos, my question is simply, are you willing to make sure going forward that the numerous sellers that we've talked to, they have problems just like this. And there are more sellers who've told us that they've exhausted all of their options before finally reaching out to you directly as a last resort. But they're still waiting for your response. So what do you have to say to the small businesses who are talking to Congress because you simply won't listen to them?

Jeff Bezos: (02:28:35)

Well, I'd say that's not acceptable. If we aren't listening to you, I'm not happy about that at all. But if you allow me to disagree a little bit with a piece of this, I do not think that systematically what's going on. And the evidence that I would suggest would be useful for you to consider in that regard, is that third party sellers, in aggregate, are doing extremely well on Amazon. They grew from, 20 years ago it was zero, and today it's 60% of sales. Third party sellers [crosstalk 00:02:29:03]-

Ms. McBath: (02:29:04)

Thank you very much. [crosstalk 02:29:04] Thank you so much. Mr. Bezos, you said... Thank you so much. You said that sellers have many other attractive options to reach customers, but that's not at all what we found in our investigation. According to eMarketer, a source Amazon cited in submissions to this committee, Amazon has nearly seven times the market share of its closest eCommerce competitor. One seller told us that, and I quote, "Amazon

continues to be the only show in town. No matter how angry sellers get, they have nowhere else to go.” So are you saying that these people aren’t being truthful when they say that Amazon is the only game in town?

Jeff Bezos: (02:29:45)

Yeah. Congresswoman, with great respect, I do disagree with that. I believe that there are a lot of options, and some of them are not even listed on that chart. I just looked at it briefly, but I didn’t see some that I know of. For example, I think there are a lot of things [crosstalk 02:30:00]-

Ms. McBath: (02:29:59)

Okay, thank you. All right, thank you for that. [crosstalk 02:30:02] Mr. Bezos, my time is short. If Amazon didn’t have monopoly power over these sellers, do you think they would choose to stay in a relationship that is characterized by bullying, fear, and panic?

Jeff Bezos: (02:30:15)

With all respect, Congresswoman, I do not accept the premise of your question. That is not how we operate the business.

Ms. McBath: (02:30:23)

Okay. All right.

Jeff Bezos: (02:30:23)

And in fact, we work very hard to provide [crosstalk 02:30:25]-

Ms. McBath: (02:30:25)

Thank you for that. Thank you for that.

Jeff Bezos: (02:30:26)

... for sellers. And that’s why they’ve been successful.

Ms. McBath: (02:30:29)

Thank you for that. Mr. Bezos, I’m going to close with giving the book seller the opportunity to finally be heard by you.

Book Seller: (02:30:38)

Mr. Bezos, we increased our sales on Amazon by five times in the past three years. And we have contributed that much of proportional seller fees to Amazon. We have contributed that much to your business. To five times. We followed all the rules that were set by you. Please, just help us in owning our livelihood. We beg you, there are 14 lives at stake. Please, please, please help us get back on track.

Ms. McBath: (02:31:14)

With that, I yield back the balance of my time.

Rep. Cicilline: (02:31:16)

I thank the gentlelady. We've now concluded our first round. I now recognize myself for five minutes. Mr. Bezos, according to your testimony, the marketplace is competitive. But Amazon controls as much as 75% of all online marketplace sales. And eMarketer, a source you cited to us in submissions to this committee, reports that Amazon has nearly seven times the market share of its closest competitor. Isn't it true that small businesses have no real option but to rely on Amazon to connect with customers and make online sales?

Jeff Bezos: (02:31:48)

No, sir. With great respect, I do have a different opinion on that. I believe there are a lot of options for small sellers. I believe Amazon is a great one, and we've worked very hard. I think we are the best one. We have [crosstalk 02:32:01]-

Rep. Cicilline: (02:32:00)

Mr. Bezos-

Jeff Bezos: (02:32:01)

... a lot of different programs that help sellers, but we are [crosstalk 02:32:04] not the only option.

Rep. Cicilline: (02:32:04)

There are 2.2 million active sellers as of yesterday, about 37% of those sellers rely on Amazon as their sole source of income. That is over 800,000 people relying on Amazon to feed their families, put their kids through school, and keep a roof over their heads. Mr. Bezos, you have referred to third party sellers as both your partners and customers, but isn't it true that Amazon refers to third party sellers as internal competitors?

Jeff Bezos: (02:32:32)

I think, it wouldn't surprise me. In some ways we are competing, and they're also competing with each other.

Rep. Cicilline: (02:32:37)

Well, that's right. Your own [crosstalk 02:32:38] documents... Mr. Bezos, Amazon's own documents that you produced refer to the very same sellers that you've described as Amazon partners, as internal competitors. In fact, we've heard from third party sellers again and again during the course of investigation that Amazon is the only game in town. One small business owner we interviewed described it this way, and I quote, "We're stuck. We don't have a choice but to sell through Amazon." Another said, and I quote, "They've never been a great partner, but you have to work with them." During this investigation we've heard so many heartbreaking stories of small businesses who sunk significant time and resources into building a business and selling on Amazon, only to have Amazon poach their bestselling items and drive them out of business. So I want to talk to you about one company that really stood out from the rest.

Rep. Cicilline: (02:33:25)

I want you to pay close attention to how they describe your partnership, Mr. Bezos. "We went from a small apparel company that makes and sells what they call useful apparel for people who work on their feet and with their hands, like construction workers and firefighters." This particular business discovered and started selling a unique item that had never been a top seller for the brand. They were making about \$60,000 a year on just this one item. One day they woke up and found that Amazon had started listing the exact same product, causing their sales to go to zero overnight. Amazon had undercut their price, setting it below what the manufacturer would generally allow it to be sold. So that even if they want to do, they couldn't match the price.

Rep. Cicilline: (02:34:07)

Here's how the apparel company described working with Amazon. And I quote, "Amazon strings you along for a while because it feels so good to get that paycheck every week. And in the past, for lack of a better term, we called it Amazon heroin, because you just kept going. And you had to get your next fix, your next check. But at the end of the day, you find out that this person who is seemingly benefiting you, making you feel good was just ultimately going to be your downfall," end quote. So Mr. Bezos, this is one of your partners. Why on earth would they compare your company to a drug dealer?

Jeff Bezos: (02:34:43)

Sir, I have great respect for you and this committee, but I completely disagree with that characterization. What we have done is create in the store a place... You could go back in time, we sold only our own inventory. It was a very controversial decision inside the company to invite third party sellers to come into what is really our most valuable retail real estate, our product detailed pages. We did that because we were convinced that it would be better for the consumer. It would be better for the customer [crosstalk 00:23:11]-

Rep. Cicilline: (02:35:11)

Mr. Bezos.

Jeff Bezos: (02:35:11)

... have all of that selection. And I think we were right. And I think it's worked out well [crosstalk 02:35:16]-

Rep. Cicilline: (02:35:16)

Reclaiming my time. Unfortunately, this is one of [crosstalk 00:23:17]... Reclaiming my time, Mr. Bezos. This is one of many small companies that have told us during this year long investigation that they were mistreated, abused and tossed aside by Amazon. Now Mr. Bezos, you say that Amazon is only focused on doing what's best for the customer. You just said it again. And also third party sellers. But how is that possible when you compete directly with third party sellers with your own products that undercut the competition? Isn't it an

inherent conflict of interest for Amazon to produce and sell products on its platform that compete directly with third party sellers, particularly when you, Amazon, sets the rules of the game?

Jeff Bezos: (02:35:56)

Thank you. No, I don't believe it is. The consumer is the one ultimately making the decisions. They're making the decisions about what to buy, what price to buy it at, who to buy it from. And what we try to [crosstalk 02:36:10]-

Rep. Cicilline: (02:36:12)

That's not the question Mr. Bezos. The question is, is there an inherent conflict of interest because you are a data company? You know when customers put something in their cart, when they take it out. Traditional brick and mortar stores, like a grocery store where competition occurs, don't have that. And so I just want to followup finally on an answer to the question that you gave to Congressman Jayapal. You said that you can't guarantee that the policy of not sharing third party sellers data with Amazon's online, hasn't been violated. You couldn't be certain. Can you please explain that to me? Can you list examples of where that policy has been violated? Because it's particularly concerning to me, Mr. Bezos, that shouldn't third parties know for sure that data isn't being shared with your own line, their competitors? Why should a third party seller list their product on Amazon if they're just going to be undercut by Amazon owned product as a result of data you take from them?

Jeff Bezos: (02:37:06)

Sir, I think what I want you to understand, and I think it's important to understand, is that we have a policy against using individual seller data to compete with our private labeled products.

Rep. Cicilline: (02:37:20)

But you couldn't assure Ms. Jayapal that policy isn't violated routinely.

Jeff Bezos: (02:37:25)

Well, and we are investigating that. And I do not want to sit here, and I do not want to go beyond what I know right now. But we are, as a result of that Wall Street Journal article, we are looking at that very carefully. And we want [crosstalk 02:37:38]-

Rep. Cicilline: (02:37:40)

Thank you, Mr. Bezos.

Jeff Bezos: (02:37:40)

... to get this back. [crosstalk 02:37:40]-

Rep. Cicilline: (02:37:40)

The evidence we've-

Jeff Bezos: (02:37:41)

... and share them with you.

Rep. Cicilline: (02:37:42)

Thank you. And we look forward to that. The evidence we've collected shows that Amazon is only interested in exploiting its monopoly power over the eCommerce marketplace to further expand and protect this power. This investigation makes clear that Amazon's due role as a platform operator and competing seller on that platform is fundamentally anti-competitive, and Congress must take action. And with that, I recognize the gentleman from Wisconsin, the ranking member of the subcommittee, Mr. Sensenbrenner for five minutes.

Rep. Sensenbrenner: (02:38:07)

Mr. Chairman, I think that the history proves that Congress does a poor job in picking winners and losers. And I have looked over a lot of the material that has been assembled. I've been working with the Chairman for over a year on this bipartisan investigation. And I have reached the conclusion that we do not need to change our antitrust laws. They have been working just fine. The question here is the question of enforcement of those antitrust laws.

Rep. Sensenbrenner: (02:38:40)

Now, we've heard a lot about the Facebook acquisition of Instagram. That happened in 2012. Obama's FTC signed off on that. So regardless of what you think has happened at that time, the fact is, is that this acquisition did pass the smell test of the regulators involved. Maybe they made a mistake, or maybe something else happened. I don't know. But the fact is, is that there is not a problem with the law. Now, back about 35 years ago, AT&T was broken up because it was determined that one stop shops were monopolistic. And AT&T, because you had to get your long distance service from your local phone company, that was monopolistic. So the baby bills were spun off. A whole lot has happened since then, there were mergers and acquisitions in the telecom industry. Technology advanced a huge amount.

Rep. Sensenbrenner: (02:39:52)

And guess what, we're back to exactly where we were in 1984. So this goes to show that congressional pressure is not the best. Now using the AT&T example, which I think was a big flop and counter productive, let me ask Mr. Bezos. Say the AT&T example was applied to Amazon, and you were required to spin stuff off. So you might have no more of a one stop shop, but you have to go to separate places for books or groceries or videos or electronics. How are the consumers helped by that?

Jeff Bezos: (02:40:34)

Sir, thank you. They would not be.

Rep. Sensenbrenner: (02:40:36)

Right.

Jeff Bezos: (02:40:37)

Very clear.

Rep. Sensenbrenner: (02:40:39)

Now Mr. Pichai, let me ask about Google. If you were forced to split up your business line, say spinoff ad tech and YouTube. Can you describe what happens to consumers there?

Mr. Pichai: (02:40:54)

Congressman, today consumers in most of the areas we are dealing with, they see prices free are falling and they get more choice than ever before. So I think it serves them well.

Rep. Sensenbrenner: (02:41:05)

And you're right there. So I'm not going to be on this committee in the next Congress. I am going to put my feet up and become a senior, quote unquote, statesman. But let me say that we have heard a whole lot of complaints about big tech. Some of them are political in nature, and I share the complaints and the concern of Mr. Jordan and others. And others talk about allegedly anti-competitive activity. It seems me that it's not for Congress, that legislates, to toss all of our antitrust laws in the precedent that has been established through litigation over the last hundred plus years.

Rep. Sensenbrenner: (02:41:56)

But it's something where we ought to go back to the regulators, to the enforcers, have them look at this stuff, and have them make a determination on whether or not the laws have been violated. I think the law is good on that. And we don't need to throw it all in the wastebasket. But there are some matters of concern that we have heard from both sides of the aisle that I think need to be addressed. And if it requires an agency like the FTC to say that they've made mistakes in the past, so be it. We're all human, we all make mistakes. And even government agencies do that. I yield back.

Rep. Cicilline: (02:42:38)

Gentleman yields back. I now recognize the gentlelady from Washington, Ms. Jayapal.

Pramila Jayapal: (02:42:43)

Thank you, Mr. Chairman. Mr. Zuckerberg, in March of 2012, you suggested by email to your management team that moving faster and copying other apps could quote, "prevent our competitors from getting footholds." Sheryl Sandberg responded that, quote, "It is better to do more and move faster, especially if that means you don't have competitors build products that take some of our users." Facebook's product management director added that, quote, "I would love to be far more aggressive and nimble in copying competitors." Has Facebook ever taken steps to prevent competitors from getting footholds by copying competitors?

Mr. Zuckerberg: (02:43:22)

Congresswoman, I view it as our job to understand what people are finding valuable in all of the services that they use. And certainly if someone [crosstalk 02:43:32]-

Pramila Jayapal: (02:43:32)

Do you copy your competitors?

Mr. Zuckerberg: (02:43:36)

Congresswoman, we've certainly adapted features that others have led in, as have others copied and adapted features that [crosstalk 00:31:45]-

Pramila Jayapal: (02:43:45)

I'm not concerned about others. I'm just asking you, Mr. Zuckerberg, since March of 2012, after that email conversation, how many competitors did Facebook end up copying?

Mr. Zuckerberg: (02:43:56)

Congresswoman, I can't give you a number of companies [crosstalk 02:44:01]-

Pramila Jayapal: (02:44:01)

Is it less than five?

Mr. Zuckerberg: (02:44:04)

Congresswoman, I don't know.

Pramila Jayapal: (02:44:06)

Less than 50? Any estimates? Your team was making a plan, how did it play out?

Mr. Zuckerberg: (02:44:13)

Congresswoman, I'm not sure I agree with the premise here. Our job is to make sure that we build the best services for people to connect with all the people they care about. And a lot of that is done by innovating and by building new things [crosstalk 00:02:44:28]-

Pramila Jayapal: (02:44:29)

Thank you. Thank you. Thank you, Mr. Zuckerberg, let me go on. Has Facebook ever threatened to clone the products of another company while also attempting to acquire that company?

Mr. Zuckerberg: (02:44:39)

Congresswoman, not that I recall.

Pramila Jayapal: (02:44:42)

And I'd like to just remind you that you are under oath, and there are quotes from Facebook's own documents. Prior to acquiring Instagram, Facebook began developing a similar product called Facebook Camera, correct?

Mr. Zuckerberg: (02:44:57)

Congresswoman, that's correct. I've said multiple times that we're competing in the space of build-

Mr. Zuckerberg: (02:45:03)

Times that we were competing in the space of building mobile cameras with Instagram. That's what they did at the time. Their competitive set was companies like what we were building with Facebook Camera and VSCO Cam and [crosstalk 02:45:14]-

Pramila Jayapal: (02:45:14)

Thank you, Mr. Zuckerberg. Did you ever use this very similar Facebook Camera product to threaten Instagram's founder, Kevin Systrom?

Mr. Zuckerberg: (02:45:26)

Congresswoman, I'm not sure what you would mean by threaten. I think it was public that we were building a camera app at the time. That was a well-documented thing.

Pramila Jayapal: (02:45:37)

Let me tell you that, in a chat, you told Mr. Systrom that Facebook was quote, "Developing our own photo strategy, so how we engage now will also determine how much we're partners versus competitors down the line." Instagram's founders seem to think that was a threat. He confided in an investor at the time that he feared that you would go into quote, "Destroy mode," if he didn't sell Instagram to you.

Pramila Jayapal: (02:46:03)

Let's just recap. Facebook cloned a popular product, approached the company you identified as a competitive threat, and told them that if they didn't let you buy them up, there would be consequences. Were there any other companies that you used this same tactic with while attempting to buy them?

Mr. Zuckerberg: (02:46:21)

Congresswoman, I want to respectfully disagree with the characterization. I think it was clear that this was a space that we were going to compete in one way or another. I don't view those conversations as a threat in any way. I was trying to figure out-

Pramila Jayapal: (02:46:35)

I'm just using the documents and the testimony that the Committee has collected from others. Did you warn Evan Spiegel, the founder of Snapchat, that Facebook was in the process of cloning the features of his company while also attempting to buy Snapchat?

Mr. Zuckerberg: (02:46:50)

Congresswoman, I don't remember those specific conversations, but that was also an area where it was very clear that we were going to be building something. People want to be able to communicate privately. They want to be able to communicate with all their friends at once. And we're going to make sure that we build the best products in all of the spaces that we can around helping people stay connected with the people they care about.

Pramila Jayapal: (02:47:14)

I appreciate that, Mr. Zuckerberg. I think the question again here is when the dominant platform threatens its potential rivals, that should not be a normal business practice. Facebook is a case study, in my opinion, in monopoly power because your company harvests and monetizes our data, and then your company uses that data to spy on competitors and to copy, acquire, and kill rivals. You've used Facebook's power to threaten smaller competitors and to ensure that you always get your way. These tactics reinforce Facebook's dominance, which you then use in increasingly destructive ways. So Facebook's very model makes it impossible for new companies to flourish separately. And that harms our democracy, it harms mom and pop businesses, and it harms consumers. Mr. Chairman, I yield back.

Mr. Cicilline: (02:48:06)

The gentlewoman yields back. The gentlemen from Colorado, Mr. Buck, is recognized for five minutes.

Mr. Buck: (02:48:10)

Thank you, Mr. Chairman. Mr. Bezos, thank you for being here today. I'm concerned that you've used Amazon's dominant market position to unfairly harm competition. We've heard from a number of companies that Amazon uses proprietary data from third-party companies to launch its own private label products, meets with startups to discuss investing in the product and then uses the proprietary data from these meetings to create its own private label products, allows the sale of counterfeit items through its web platform.

Mr. Buck: (02:48:40)

During the subcommittee's field hearing in Boulder this January, PopSockets CEO and inventor David Barnett detailed how Amazon allowed counterfeit products to appear on Amazon's Marketplace ahead of PopSockets' products. Mr. Barnett told CNBC that PopSockets found at least 1,000 counterfeit products for sale on Amazon's Marketplace, which Amazon allegedly failed to remedy until PopSockets agreed to a nearly \$2-million marketing deal with Amazon.

Mr. Buck: (02:49:12)

We've also seen troubling reports in the Wall Street Journal detailing Amazon's use of third party-sellers' proprietary data to develop and market its own competitive private label products. The Wall Street Journal also reported last week that Amazon's venture capital fund used meetings with unsuspecting startup companies to gain access to secret proprietary product information and financial details. Amazon then reportedly used that information to launch competing products, often disastrous results for the original startup company.

Mr. Buck: (02:49:42)

There are many examples of this behavior, but one allegation in the Journal's reporting sticks out in particular. In 2011, Amazon contacted Vocalife LLC's inventor about the possibility of investing in the speech detection technology. Vocalife's founder accepted the meeting,

thinking this was the company's big break. After displaying Vocalife's microphone technology and providing proprietary information, including engineering data, to Amazon employees, the relationship came to an abrupt halt. Amazon employees allegedly stopped responding to emails before the technology eventually found its way into the Amazon's Echo device.

Mr. Buck: (02:50:23)

These allegations are serious, especially because the size and scope of these practices couldn't happen without Amazon's monopolistic control of the marketplace. I'm also concerned that given Amazon's allowance of counterfeit goods in an honest marketplace, especially counterfeit goods from China, that Amazon's Marketplace may be knowingly or unknowingly furthering China's use of forced and slave labor conditions. This is especially important following recent reports that at least 80 global companies that sell on the Amazon Marketplace, including Nike, Starbucks, and Samsung, have ties to Chinese factories that use enslaved Uyghur Muslims.

Mr. Buck: (02:51:02)

Following these concerning reports, Senator Hawley introduced an important bill last week requiring American businesses to certify that their supply chain does not rely on forced labor. I will be introducing the House companion bill later this afternoon.

Mr. Buck: (02:51:18)

While I do not expect you to have intimate knowledge of the legislation, I do want to ask all four of our witnesses a simple yes or no question. Will you certify here today that your company does not use and will never use slave labor to manufacture your products or allow products to be sold on your platform that are manufactured using slave labor? Mr. Cook, you were kind enough to visit with me on the phone. I think we briefly discussed this issue.

Tim Cook: (02:51:44)

Yes.

Mr. Buck: (02:51:45)

If you can give a yes or no answer, and I understand you haven't read the details of the bill, but would you agree to this idea?

Tim Cook: (02:51:54)

I would love to engage on the legislation with you, Congressman, but let me be clear, forced labor is abhorrent, and we would not tolerate it in Apple. And so I would love to get with your office and engage on the legislation.

Mr. Buck: (02:52:08)

Thank you. Mr. Pichai.

Mr. Pichai: (02:52:12)

Congressman, I share your concern your concern in this area. I find it abhorrent as well. Happy to engage with your office and discuss this further.

Mr. Buck: (02:52:22)

I really don't want to even engage with my office half the time. Will you guys agree that slave labor is not something that you will tolerate in manufacturing your products or in products that are sold on your platforms?

Mr. Pichai: (02:52:36)

I agree, Congressman.

Mr. Buck: (02:52:38)

And Mr. Cook?

Tim Cook: (02:52:40)

We wouldn't tolerate it. We would terminate a supplier relationship if it were found.

Mr. Buck: (02:52:46)

Mr. Zuckerberg?

Mr. Zuckerberg: (02:52:49)

I agree. We wouldn't tolerate this, and if we found anything like this, we would also terminate any relationship.

Mr. Buck: (02:52:55)

And Mr. Bezos.

Jeff Bezos: (02:52:57)

Yes, I agree completely.

Mr. Buck: (02:52:59)

Thank you very much, gentlemen. And I yield back.

Mr. Cicilline: (02:53:02)

I thank the gentleman. I now recognize the gentleman from Maryland, Mr. Raskin, for five minutes.

Mr. Raskin: (02:53:07)

Thank you, Mr. Chairman. I want to thank Mr. Buck for that excellent line of questioning and for the upcoming legislation. I look forward to joining that.

Mr. Raskin: (02:53:18)

In the 19th century, we had the robber barons. In the 21st century, we got the cyber barons. And we want to make sure that the extraordinary power and wealth that you've been able to amass is not used against the interests of democracy and human rights around the world and not against the interests of a free market at home.

Mr. Raskin: (02:53:40)

Mr. Bezos, let me turn to you. I'm interested in the role that you play as a gatekeeper. A lot of consumers want to know when the HBO Max app will be available on your Fire device. And I understand that negotiations are ongoing, but that your company is not only asking for financial terms, but also for content from WarnerMedia. Is that right, and is that a fair way to proceed? In other words, is it fair to use your gatekeeper status role in the streaming device market to promote your position as a competitor in the video streaming market with respect to content?

Jeff Bezos: (02:54:26)

I'm not familiar with the details of those negotiations. As you said, they're underway right now. I predict that the companies will eventually come to an agreement. And I think this is kind of two large companies negotiate agreements. It's normal commerce.

Mr. Raskin: (02:54:42)

Right, but here's why I pursue it, precisely because it is a large company, and in a way they stand in for hundreds of thousands of much smaller companies who are even in a more disadvantageous position with respect to negotiating with you. I guess the general proposition then you can speak to, if you don't know the details of this, which is, is it okay to negotiate not just for financial terms in having someone be part of your Fire unit, but also to try to extract in that negotiation leverage with respect to getting content from them.

Jeff Bezos: (02:55:23)

Well, again, I'm not familiar with the details. What I would say is I think the-

Mr. Raskin: (02:55:25)

I'm not asking about that one. In general. In general.

Jeff Bezos: (02:55:28)

In general, I think that when two companies are negotiating, you are negotiating not just the amount of money that's going to change hands, but also what you're going to get in exchange for the amount of money. That is a very fundamental way that business works [crosstalk 00:10:41]-

Mr. Raskin: (02:55:41)

Do you see, at least to outsiders, that would look like a structural conflict of interest? Like you're using your control over access to people's living rooms, essentially, you're using that in order to obtain leverage in terms of getting a creative content that you want? And are you essentially converting power in one domain into power in another domain where it doesn't belong?

Jeff Bezos: (02:56:10)

I think what I should do is offer to get you information. I'll get it to your office for you because I'm not familiar enough with this. And I could imagine that there would be scenarios, if we're

just talking in the abstract, where it would be inappropriate, and I could imagine scenarios where it would be very normal business and very appropriate.

Mr. Raskin: (02:56:28)

Okay. Fair enough. I want to talk about in emerging markets, smart homes, and I want to start with the hub of the smart home: smart speakers. Does Amazon price the Echo device below cost?

Jeff Bezos: (02:56:43)

It's list price, but it's often on promotion. And sometimes when it's on promotion, it may be below cost, yes.

Mr. Raskin: (02:56:49)

Several other companies did tell us, in fact, that Amazon is pricing Echo devices way below cost, making it nearly impossible for them to compete, and aggressively discounting Alexa-enabled speakers as a strategy to own the smart home. Like many markets we've heard about today, smart speakers with voice assistants like Alexa, along with the myriad of smart home appliances that Alexa can interact with, make up the next ecosystem or platform for tech companies to lock in customers. Would you say the smart home market for which the Echo Ring security system and other smart devices operate is a winners-take-all market? Yes or no?

Jeff Bezos: (02:57:30)

No, I wouldn't. Especially if we're able to succeed at what we want, which is we would like ... Our vision for this is that smart home speakers should answer to different wake words. So [crosstalk 00:12:43]-

Mr. Raskin: (02:57:45)

When considering the acquisition of-

Jeff Bezos: (02:57:46)

... case-by-case basis, and I think in that ... Just to ... because I think it's important. If we could achieve that, then I think you would get really good behavior on the part of competitive voice agents helping you.

Mr. Raskin: (02:57:59)

When you were looking at acquiring Ring, you wrote to your executive team quote, "We're buying market position, not technology, and that market position and momentum is very valuable." So if smart homes are not a market with lock-in effects, why would a leading market position and momentum be so very valuable?

Jeff Bezos: (02:58:19)

Sir, market position is valuable in almost any business, and it's one of the primary things that one would look at in an acquisition. There are multiple reasons that we might buy a company. Sometimes we're trying to buy some technology or some IP, sometimes it's a

talent acquisition. But the most common case is market position, that the company has traction with customers, they've built a service, maybe they were the first mover. There could be any number of reasons why they have that market position, but that's a very common reason to acquire a company.

Mr. Raskin: (02:58:49)

Once a company becomes dominant in a market, it can favor its own products and services. Alexa-enabled smart speakers make up over 60% of the smart speaker market. Mr. Bezos, when I ask Alexa to play my favorite song, Prime Music is the default music player. Is that right?

Jeff Bezos: (02:59:06)

I think that's true if you're a prime member, yes.

Mr. Raskin: (02:59:09)

And a New York Times report found that when users say, "Alexa, buy batteries," Alexa responds, "Would you like to buy AA AmazonBasic batteries?" So has Alexa ever been trained to favor Amazon products when users shop by voice?

Mr. Cicilline: (02:59:24)

The time of the gentleman has expired, but the witness may answer the question.

Jeff Bezos: (02:59:29)

I don't know if it's been trained in that way. I'm sure there are cases where we do promote our own products, which is of course a common practice in business, so it wouldn't surprise me if Alexa sometimes does promote our own products.

Mr. Raskin: (02:59:42)

Thank you. And I yield back.

Mr. Cicilline: (02:59:43)

That chair recognizes the gentleman from Florida, Mr. Gaetz, for five minutes.

Mr. Gates: (02:59:47)

Mr. Pichai, during our prior discussion earlier today, you said that Google doesn't work with the Chinese military. That answer was deceptive because Google works with many of the entities that work with the Chinese military in common collaboration. And just as one example would be Tsinghua University, where Jeff Dean, who is the head of Google AI, served on the computer science advisory committee for the university. And then the university takes nearly \$15 million from China's Central Military Commission. So you can see how, even if you don't literally show up at the offices of the Chinese military, if you're all showing up at the same place, working together on AI, that would lead to my concern.

Mr. Gates: (03:00:28)

But I want to talk about Search because that's an area where I know Google has real market dominance. On December 11th, you testified to the Judiciary Committee, and in response to a question from my colleague Zoe Lofgren about Search, you said, "We don't manually intervene on any particular search result." But leaked memos obtained by The Daily Caller show that that isn't true. In fact, those memos were altered December 3rd, just a week before your testimony. And they describe a deceptive news blacklist and a process for developing that blacklist approved by Ben Gomes, who leads Search with your company. And also something called a fringe ranking, which seems to beg the question, who gets to decide what's fringe?

Mr. Gates: (03:01:15)

And in your answer, you said to Ms. Lofgren that there is no manual intervention of search. That was your testimony, but ... And now I'm going to cite specifically from this memo from The Daily Caller. It says that the ... I'm sorry, that The Daily Caller obtained from your company. It says, "The beginning of the workflow starts when a website is placed on a watch list." It continues, "This watch list is maintained and stored by Ares with access restricted to policy and enforcement specialists." Sort of does beg the question who these enforcement specialists are. "Access to the listing can also be shared on a need-to-know basis to enforce or enrich the policy violations. The investigation of the watch list is done in the tool Athena, the Ares manual review tool."

Mr. Gates: (03:02:06)

So you said to Congresswoman Lofgren that there was no manual review tool, and then your documents indicate that there is a manual review tool. So help us understand the inconsistency.

Mr. Pichai: (03:02:18)

Congressman, there are two parts to this. In general, we algorithmically approach our search results. We have robust policies to do so. And we test it both with user feedback and we use [inaudible 03:02:29] to validate. Last year alone, we ran over 300,000 experiments and launched around 3,000 improvements to Search.

Mr. Pichai: (03:02:38)

And we don't manually tune. The question last time was in the context of, is there someone behind the curtain manually tuning an individual search result? We don't. We generally approach it algorithmically. However, in order to comply with the law in every country we operate in ... For example, there may be an actor or a website identified as interfering in elections, and we then have to put that site on a list so that that doesn't appear in our search results against queries. So other examples would be violent extremism [crosstalk 00:03:03:13]-

Mr. Gates: (03:03:14)

And is done manually, Mr. Pichai? That process you described, is that done manually?

Mr. Pichai: (03:03:20)

And we could get reports from law enforcement agencies we are complying with, or it's a known DMC-based copyright violation.

Mr. Gates: (03:03:27)

There is either a manual component or there is not a manual component. Which is it?

Mr. Pichai: (03:03:34)

For creating those lists, that process can involve a manual [crosstalk 03:03:39].

Mr. Gates: (03:03:39)

Okay, great. Well, that is sort of the concern that I have. You've now said something different today than you said to Ms. Lofgren because you've confessed that there is a manual component to the way in which you blacklist content. And it seems to be no coincidence that it's sites like Gateway Pundit, The Western Journal, American Spectator, Daily Caller, and Breitbart that received the ire or the negative treatment as a consequence of your manual tooling.

Mr. Gates: (03:04:10)

And it also seems noteworthy that whistleblowers at your own company have spoken out. You said that one of the reasons you maintain this manual tool is to stop election interference. I believe it is, in fact, your company that is engaging in election interference. And it's not just my view. Mike Wacker came out and was a whistleblower indicating that the manual blacklist targets that Google specifically goes after are those who support President Trump, who hold a conservative viewpoint. And he left your company in 2019 because he was speaking out against these outraged mobs.

Mr. Gates: (03:04:48)

So can you see how, when you empower individuals, some of the same individuals that Project Veritas has exposed as labeling people as terrorists who say, "Make America great again," or who support the president, that that in fact can be the very election interference that we're concerned about and that you're using your market dominance in Search to accomplish that election interference?

Mr. Pichai: (03:05:10)

Congressman, with respect, I strongly disagree with that characterization. We don't approach this work with any political viewpoint. We do that to comply with law, known copyright violations, very narrow circumstances, and we have to do that to comply with the law. And in many cases, those requests can come from law enforcement agencies [crosstalk 03:05:28].

Mr. Gates: (03:05:28)

Your own employees are saying-

Mr. Cicilline: (03:05:30)

Time of the gentleman-

Mr. Gates: (03:05:30)

... you're doing it for a different reason.

Mr. Cicilline: (03:05:30)

... has expired.

Mr. Gates: (03:05:31)

Your own employees are saying it's political bias. I yield back.

Mr. Cicilline: (03:05:33)

Thank you.

Mr. Gates: (03:05:34)

And I'm sorry, may I be a recognized for a unanimous consent request?

Mr. Cicilline: (03:05:36)

Yes.

Mr. Gates: (03:05:37)

Mr. Chairman, just given the productivity of our discussion, I'd request that we'd be permitted a third round of questioning.

Mr. Cicilline: (03:05:43)

Without objection. I now recognize the chairman of the full committee, Mr. Nadler.

Rep. Nadler: (03:05:52)

Yeah. The documents prove that the news and journalism industry in this country are in economic free fall. Over 200 counties in America no longer have a local newspaper, and tens of thousands of journalists have been laid off in recent years. The reason journalism is in free fall is that Google and Facebook now capture the vast majority of digital ad revenue. Although news publishers produce valuable content, it is Google and Facebook that increasingly profit off their content. Publishers have told us that Google and Facebook maintain their dominance in these markets in part through anti-competitive conduct, as well as conflict of interest.

Rep. Nadler: (03:06:36)

Mr. Zuckerberg, in 2015, Facebook reported high and quickly growing rates of video viewership [inaudible 03:06:43] based on these metrics, news publishers fired hundreds of journalists, choosing instead to boost their video divisions. In 2018, it was discovered that Facebook had inflated these metrics and had known about the inaccuracy several years before Facebook publicly disclosed this. Mr. Zuckerberg, did you know that these metrics were inflated before they were publicly released?

Mr. Zuckerberg: (03:07:09)

Congressman, no, I did not. And we regret that mistake and have put in place a number of other measures since then to make sure that we-

Rep. Nadler: (03:07:18)

And do you realize the harm that this caused journalists across the country?

Mr. Zuckerberg: (03:07:25)

Congressman, I certainly know how important it is that the metrics that we report are accurate, and we've put in place some additional measures to make sure [inaudible 03:07:34] audit those.

Rep. Nadler: (03:07:36)

And what do you have to say to the journalists who lost their jobs because of Facebook's deception?

Mr. Zuckerberg: (03:07:42)

Well, congressmen, I disagree with that characterization and also your description of what-

Rep. Nadler: (03:07:48)

Okay. Reclaiming my time. Google, meanwhile, maintains its dominance in part through aggregating data from across its products and services. Mr. Pichai, I understand that Google collects user data on users' browsing activity through its Chrome browser. Does Google use that data for its own purposes, either in advertising or to develop and refine its algorithms?

Mr. Pichai: (03:08:14)

Mr. Chairman, we do use data to improve our products and services for our users. Any time we do it, we believe in giving users choice, control, and transparency. We make it very clear, and we give them simplified settings to choose how they'd like their data to be used.

Rep. Nadler: (03:08:32)

So you do use the data that you get from these companies for your purposes?

Mr. Pichai: (03:08:40)

My understanding was whether we use data in general to improve our products and services. And we do use data to show ads, but we give users a choice. They can turn ads personalization on or off and-

Rep. Nadler: (03:08:54)

Obviously, use of this data from all these companies gives you a tremendous advantage over them and over any competitor. Does the ability to make money in any way affect Google's algorithm in terms of what news appears in a typical user's search results?

Mr. Pichai: (03:09:12)

The way we'd rank our search results, we don't take into account a commercial relationship that we have.

Rep. Nadler: (03:09:19)

Okay. But Facebook and Google have greatly threatened journalism in the United States. Reporters have been fired. Local newspapers have been shut down. And now we hear that Google and Facebook are making money over what news they let the American people see. This is a very dangerous situation. And unfortunately, my time is expired, and I have to yield back.

Mr. Cicilline: (03:09:47)

I thank the gentlemen for yielding. I now recognize the gentleman from Florida, Mr. Steube, for five minutes.

Greg Steube: (03:09:54)

Thank you, Mr. Chairman. I'm just going to pick up where I left off. Mr. Pichai, there are rioting groups that are going unchecked with the posting of what I would contend is very violent video, yet yesterday I was sent a YouTube video about doctors discussing hydroxychloroquine and discussing the not dangers of children returning to school, and when I clicked on the link, it was taken down. And then I was sent a different link on YouTube, and it was taken down. I just checked again, just to make sure, and it says that this video has been removed for violating YouTube community guidelines. How can doctors giving their opinion on a drug that they think is effective for the treatment of COVID-19 and doctors who think it's appropriate for children to return back to school violate YouTube's community guidelines when all of these videos of violence is all posted on YouTube?

Mr. Pichai: (03:10:49)

Congressman, we believe in freedom of expression, and there is a lot of debate on YouTube about effective ways to deal with COVID. We allow robust debate. But [inaudible 03:11:00] during a pandemic, we look to local health authorities, so for example, in the US it would be CDC, for guidelines around medical misinformation in a narrow way which could cause harm in the real world. And so, for example, if there is aspects of a video, and if it explicitly states something could be a proven cure and that doesn't meet CDC guidelines, we would remove that [crosstalk 03:11:28]-

Greg Steube: (03:11:28)

It's free expression of speech, and you have these doctors who are giving their opinion as doctors, and I don't understand why YouTube and, therefore, Google thinks it's appropriate to silence physicians and their opinion of what can help and cure people with COVID-19.

Greg Steube: (03:11:44)

I'm going to switch quickly to Mr. Zuckerberg. I think at this point, it's fairly obvious that technology platforms have been stifling conservative news and opinions. You employ a panel

of content moderators. Can you explain how Facebook chooses who these moderators are?

Mr. Zuckerberg: (03:12:01)

Thanks, Congressman. We do hire a lot of people around the world to work on safety and security. Our team is more than 30 or 35,000 people working on that now. We certainly try to do this in a way that that is neutral to all viewpoints. We want to be a platform for all ideas, but I don't think you build a social product with the goal of giving people a voice if you don't believe that people being able to express a wide variety of things is ultimately valuable for the world, and we try to make sure that our policies and our operations ultimately reflect and carry that out.

Greg Steube: (03:12:40)

Is there an ideological diversity amongst the content moderators?

Mr. Zuckerberg: (03:12:47)

Congressman, I don't think we choose to hire them on the basis of an ideology. They're hired all over the world. There are certainly a bunch in the US. There's diversity in where they're hired. But certainly we don't want to have any bias in what we do, and we wouldn't tolerate it if we discovered that.

Greg Steube: (03:13:11)

So you don't specifically hire, say, conservative moderators and Democrat or liberal moderators so that there's a balance in your content moderators?

Mr. Zuckerberg: (03:13:21)

Congressman, in terms of the 30 to 35,000 people, or more at this point, who are doing safety and security review, that is correct. In terms of the people setting the policies, I think it is valuable to have people with a diversity of viewpoints involved, so we can make sure that we have the different viewpoints represented in the policy development process. And we also consult with a number of outside groups whenever we develop new policies to make sure that we're taking into account all perspectives.

Greg Steube: (03:13:51)

What are some of those outside groups that would be conservative leaning?

Mr. Zuckerberg: (03:13:57)

Congressman, I'd need to get back to you with a list of specific groups, but it would depend on what the topic is that we're talking about.

Greg Steube: (03:14:06)

Can you just think of one? I mean, you said you reach out to outside groups. Can you think of one conservative outside group that you reach out to and use as a content moderator?

Mr. Zuckerberg: (03:14:16)

Congressman, I'm talking about different external stakeholders and groups that are inputs to our policy development process, and I'm not involved in those conversations directly, so I would have to get back to you with specifics on that. But I am quite confident that we speak with people across the ideological spectrum when we're developing our policies.

Greg Steube: (03:14:39)

I would very much appreciate a follow-up on that. Real quickly, can you briefly explain the approval process for third-party fact-checkers, and how many fact-checkers does Facebook employ?

Mr. Zuckerberg: (03:14:51)

Yes. Thanks. We work with about 70 fact-checking partners around the world. And the goal of the program is to limit the distribution of viral hoaxes, so things that are clearly false, from getting a lot of distribution. But we don't ourselves want to be in the business of determining what is true and what is false. That feels like an inappropriate role for us to play. We rely on an organization called the Poynter Institute and I think it's called the Independent Fact-Checking Organization that has a set of guidelines of what makes an independent fact-checker. And they certify those fact-checkers, and then any organization that gets certification from that group is qualified to be a fact-checking partner within Facebook.

Mr. Cicilline: (03:15:42)

Thank you. The gentleman's time has expired. I'm going to recognize Mr. Johnson for five minutes, and then we're going to take a short break of the committee. Mr. Johnson, you're recognized.

Mr. Johnson: (03:15:56)

Thank you, Mr. Chairman. Mr. Bezos, Amazon has a significant problem with counterfeit products being sold on its platform. Counterfeit products not only rip off the owners of legitimate businesses, they also can be dangerous. Counterfeit medicine, baby food, automobile tires, and other products can kill. Amazon has said it's fixing its counterfeit problem, but counterfeiting seems to be getting worse, not better. Amazon is a trillion-dollar company, but Amazon customers are not guaranteed that the products purchased on your platform are authentic. Amazon acts like it's not responsible for counterfeits being sold by third-party sellers on its platform, and we've heard that Amazon puts the burden and cost on brand owners to police Amazon's site, even though Amazon makes money when a counterfeit good is sold on its site. More than half of Amazon sales come from third-party seller accounts. Why isn't Amazon more aggressive in ensuring that counterfeit goods are not sold on its platform, and why isn't Amazon responsible for keeping all counterfeit products off of its platform?

Jeff Bezos: (03:17:17)

I think this is an incredibly important issue and one that we work very hard on. Counterfeits are a scourge. They are a problem that is not ... It does not help us earn trust with

customers. It's bad for customers. It's bad for honest third-party sellers. We do a lot to prevent counterfeiting. We have a team of more than a thousand people that does this. We invest hundreds of millions of dollars in systems that do this. We have something called Project Zero, which helps brands serialize individual products, which really helps with counterfeiting. We have-

Mr. Johnson: (03:17:58)

I'm glad that you have those-

Jeff Bezos: (03:17:59)

... other programs as well.

Mr. Johnson: (03:18:01)

I'm glad that you have those ...

Mr. Johnson: (03:18:01)

I'm glad that you have those features in place, but why isn't Amazon responsible for keeping all counterfeit products off of its platform?

Jeff Bezos: (03:18:14)

We certainly work to do so Congressman, and we do so, not just for our own retail products, but for third-party products as well. We do work-

Mr. Johnson: (03:18:23)

Okay, well thank you. We've heard from numerous third-party sellers and brand owners that Amazon has used knockoffs as leverage to pressure sellers to do what Amazon wants. For example, the founder of PopSockets testified in January that Amazon itself was selling knockoffs of its product. After reporting the problem, it was only after his company committed to spending \$2 million on advertisements that Amazon appears to have stopped diverting sales to these knockoffs. What is your explanation for that business practice?

Jeff Bezos: (03:19:03)

That's unacceptable. If those are the facts, and if someone somewhere inside Amazon said, "Buy X dollars in ads, and then we'll help you with your counterfeit problem," that is unacceptable. And I will look into that, and we'll get back to your office with that. What I can tell you is that we have a counterfeit crimes unit. We attempt to prosecute counterfeiters. I would encourage this body to pass stricter penalties for counterfeiters, and to increase law enforcement resources to go after counterfeiters. Because they are bad actors.

Mr. Johnson: (03:19:38)

But your company does make money off of counterfeit goods being sold on your platform. Isn't that correct?

Jeff Bezos: (03:19:45)

If it does, in my view, sir, it would only be in the short-term. I would much rather lose a sale than lose a customer. We make money because customers come back.

Mr. Johnson: (03:19:55)

Fair enough sir. Making companies pay extra to avoid having their products disappear in rankings seems to be so unfair, especially to small businesses. The American dream is threatened when that happens. Don't you think so?

Jeff Bezos: (03:20:14)

Sir, I'm not exactly sure what you're referring to. If you're talking about what we were just talking about a second ago, I agree completely, unacceptable.

Mr. Johnson: (03:20:23)

No, I'm talking about a totally different situation now where a company that is selling on your platform, but is not paying anything extra gets buried in the rankings. But companies that pay extra are able to get their products pushed up, and they avoid getting pushed down. Is that an acceptable practice?

Jeff Bezos: (03:20:49)

Sir, I think what you're referring to is the fact that we offer an advertising service, basically for third-party sellers to drive additional promotion to their products. That's a voluntary program. Some sellers use it, some don't, and it's been very effective at helping people promote their products.

Mr. Johnson: (03:21:07)

With that, I yield back. Thank you.

Mr. Cicilline: (03:21:10)

Gentleman yields back, the committee will stand in brief recess.

Mr. Cicilline: (03:21:12)

[inaudible 03:21:33].

Speaker 4: (03:21:12)

I thought I'd get overtime two days in a row.

Speaker 5: (03:21:12)

Yeah really. Maybe they can bring us in tomorrow for another 6:00 AM 12 hour day.

Speaker 4: (03:24:57)

Yeah, that'd be good. We could maybe do a hearing, and then do like a think tank in Frederick or something. Oh, let me get one of those. That'd be good. A true twofer. Thanks.

Speaker 5: (03:25:16)

I don't know if we're supposed to be taking wipes [inaudible 03:25:25].

Speaker 4: (03:25:16)

It doesn't matter. It's for the public good.

Speaker 5: (03:25:31)

Yeah, that's what I'm thinking.

Speaker 4: (03:25:35)

Hey, we're staff, right?

Speaker 5: (03:25:36)

Right.

Speaker 4: (03:25:36)

[inaudible 03:25:57].

Speaker 4: (03:25:36)

All good?

Speaker 4: (03:25:36)

[inaudible 03:38:58].

Mr. Cicilline: (03:43:02)

Committee will come to order. I recognize the gentlelady from Florida, Ms. Demings for five, I'm sorry. Recognize the gentleman from North Dakota, Mr. Armstrong for five minutes.

Kelly Armstrong: (03:43:09)

Thank you, Mr. Chairman. Mr. Bezos, earlier, my colleague brought up what I think is an important issue. And they were discussing Amazon's stated policy against using third-party seller information to inform business decisions regarding Amazon's private label brands. Ms. Jayapal specifically noted that possible loophole that allows Amazon to review non-public aggregate data to inform private brands, even in instances where there are only a few third-party sellers. I just want to drill down on that just a little more. Where exactly does Amazon draw the line?

Jeff Bezos: (03:43:44)

I'm sorry. Aggregate data would be in more than one seller. Of course, You have to remember that the person seeing the report would have no way of knowing how many sellers are inside that group, or what the breakdown would be between those sellers. And let me remind you it's not that different from perhaps a bestseller list, or a product ranking, which we do make public for all.

Kelly Armstrong: (03:44:08)

And I just want to make clear, does Amazon allow the use of aggregate data to inform private label Amazon brands when there are only three sellers for a product?

Jeff Bezos: (03:44:17)

Yes, sir.

Kelly Armstrong: (03:44:19)

Does Amazon look at aggregate data when there are only two sellers of a product?

Jeff Bezos: (03:44:23)

Yes, sir.

Kelly Armstrong: (03:44:26)

And am I correct in my understanding that Amazon is conducting an internal investigation on the use of third-party data?

Jeff Bezos: (03:44:35)

Yes. We're basically trying to understand some of the anecdotes that we saw in that Wall Street Journal article.

Kelly Armstrong: (03:44:41)

Will you commit to informing this committee on the outcome of that investigation, including on the exact circumstances of when Amazon is allowed to view and or use aggregate data?

Jeff Bezos: (03:44:51)

Yes, we will do that.

Kelly Armstrong: (03:44:54)

Now I want to move, just really quick. Music can be used to drive revenue, and obviously there's a reason it's important and I want to talk about Twitch for a second. News reports have indicated that Twitch users are receiving notice and take down requests pursuant to the Digital Millennium Copyright Act. My understanding is that Twitch allows users to stream music, but does not license the music. Is that correct?

Jeff Bezos: (03:45:21)

I'm going to have to ask that I could get back to your office with an answer to that question. I don't know.

Kelly Armstrong: (03:45:26)

Okay. That would be great. I just have two more questions related to that. If Twitch is responding to DMCA notice and take down requirements, should one, Twitch consider proactively licensing music instead of retroactively adhering to those notices? These are the

questions we're interested in. I'm primarily concerned about small up and coming musicians, different people that aren't necessarily labels to make it as easy for them to at least get cease and desist notices out as well. And as we continue to move forward there.

Jeff Bezos: (03:45:58)

Yes, Congressman that's an important issue. And I understand it and I will get back to your office on that.

Kelly Armstrong: (03:46:05)

All right, earlier this year, Google announced plans to retire third-party cookies that websites attached to users' browsers. And this allows users to be tracked across the internet. A consequence of that change is that it will put other digital advertising market participants at a disadvantage, because they can no longer track users. At the very, very danger of being pro cookie, because I'm not when I use my computer as well, and I understand that there are legitimate privacy concern with third-party cookies, but I do want to focus on the competition aspect. Did this asset action also place Google at a disadvantage, or does Google have alternative means of collecting that user data to inform its digital advertising activities, Mr. Pichai?

Mr. Pichai: (03:46:52)

Congressman, as you rightly pointed out, this is an area where we have focused on user privacy, and users clearly don't want to be tracked with third-party cookies. In fact, other browser vendors, including from Apple, and Mozilla Foundation have also implemented these changes. We are doing it thoughtfully, giving time for the industry to adapt, because we know publishers depend on revenue in this area, but it's an important change. And I think we have to be focused on privacy to drive the change forward.

Kelly Armstrong: (03:47:25)

But you have other ways of collecting that information, correct?

Mr. Pichai: (03:47:29)

On our first party services, we don't rely on cookies. And obviously when people come and type into search-

Kelly Armstrong: (03:47:36)

I'm not asking you if you rely on cookies, I'm asking you if you have other ways of collecting it, through Gmail, our consumer-facing platforms, right?

Mr. Pichai: (03:47:45)

We don't use data from Gmail for ads, Congressmen, but to the extent on the services where we provide ads, and if users have consented to ads personalization, yes, we do have data.

Kelly Armstrong: (03:47:57)

Thank you. I yield back.

Mr. Cicilline: (03:47:59)

Gentleman yields back. I now recognize the gentlelady from Florida, Ms. Demings, for five minutes.

Val Demings: (03:48:03)

Thank you so much, Mr. Chairman. Mr. Zuckerberg, during discussions of changing Facebook's platform policy in 2012, you said that, and I quote, "In any model, I'm assuming we enforce our policies against competitors much more strongly." It sounds like Facebook weaponizes its policies to target competitors. Why would Facebook enforce its policies against competitors more strongly?

Mr. Zuckerberg: (03:48:31)

Congresswoman, when we were a much smaller company, we saw that-

Val Demings: (03:48:35)

This was 2012, now. This was in 2012, so please go right ahead.

Mr. Zuckerberg: (03:48:42)

Sure. We've had policies in the past that have prevented our competitors, which at the time we were primarily worried about larger competitors from using our platforms to grow and compete with us. So we had some of those policies. We continually review them over time, and-

Val Demings: (03:49:02)

Okay, Mr. Zuckerberg, in 2013, a senior Facebook employee identified MessageMe as a fast-growing app on Facebook, and said that we will restrict their access. Was this another example of enforcing Facebook's policies against competitors much more strongly? MessageMe?

Mr. Zuckerberg: (03:49:20)

Congresswoman, I'm not familiar with that specific example, but we did have that policy.

Val Demings: (03:49:26)

[crosstalk 03:49:26] Okay, let's move to another one and see if you remember this one. In 2014, other Facebook product managers openly discussed removing Pinterest's access to Facebook's platform tools. As one employee said, "I am 100% in favor of the idea of moving it from Pinterest, but I am not recommending removing it from Netflix going forward." Why would Facebook product managers want to restrict Pinterest's access to Facebook, but not Netflix?

Mr. Zuckerberg: (03:49:58)

Congresswoman, I'm not familiar with that exchange. I don't think I was on that.

Val Demings: (03:50:02)

Why do you think, you wouldn't have to be on that, but why do you think they made that decision, or would make a decision like that?

Mr. Zuckerberg: (03:50:13)

Well, Congresswoman, as I said, we used to have a policy that restricted competitors from using our platform, and Pinterest is a social competitor with us. It's one of the many competitors that allowed people to share it.

Val Demings: (03:50:26)

Okay. Mr. Zuckerberg, these examples and supporting documents strongly suggest that Facebook does weaponize its platform policies, enforcing them selectively to undermine competitors. But let's move on. Mr. Cook, I am concerned that Apple's policies are also picking winners and losers in the app economy, and that Apple rules mean Apple apps always win. Mr. Cook, in 2019, Apple removed from the Apple store certain apps that help parents control their children's devices. Do you remember what justification Apple cited?

Val Demings: (03:51:02)

Do you remember what justification Apple cited?

Tim Cook: (03:51:05)

Yes, Congresswoman, I do. It was that the use of technology called MDM, mobile device management, placed kids' data at risk. And so we were worried about the safety of kids.

Val Demings: (03:51:23)

Okay. All right. So you were concerned about that the app basically undermined kids' privacy. But another app that used the same tool was Absher, an app owned by the Saudi Arabian government. Do you recall what Apple's position was towards this app?

Tim Cook: (03:51:41)

I'm not familiar with that app.

Val Demings: (03:51:44)

Okay. Apple allowed this Saudi app to remain. So there are two types of apps. They use the same tool. Apple kicks one out, one that was helping parents, but keeps the one owned by a powerful government. If that is correct, Mr. Cook, that apps that supposedly do the same thing, why would you keep the one owned by a powerful government?

Tim Cook: (03:52:18)

I'd like to look into this and get back with your office. I know-

Val Demings: (03:52:23)

Because it sounds like you applied different rules to the same apps.

Tim Cook: (03:52:28)

We apply the rules to all developers evenly. We were worried about-

Val Demings: (03:52:34)

Did the fact that Apple had its own, Mr. Cook, let me just ask you this. Did the fact that Apple had its own parental control apps that were competing with these third party apps contribute to Apple's decision to kick them off the Apple store? Mr. Cook, what do you think about that?

Tim Cook: (03:52:54)

It did not. There's over 30 parental controls on the app store today, so there's plenty of competition in this area. And I would point out that this is not an area where Apple gets any revenue at all. We do this because-

Val Demings: (03:53:09)

Mr. Cook I didn't ask anything about revenue. I didn't. That was not my question, but I'm out of time and thank you so much, Mr. Chair. I yield back.

Rep. Cicilline: (03:53:17)

Thank you gentlelady for your yielding back. I now recognize the ranking member of the full committee, Mr. Jordan, for five minutes.

Mr. Jordan: (03:53:22)

Thank you, Mr. Chairman, I would yield to the gentleman from Florida, Mr. Gates.

Mr. Gates: (03:53:25)

Thank the gentlemen for yielding. Mr. Zuckerberg, just as Mr. Pachai gave prior testimony to Congress saying there was an editorial manipulation on their platform, you have previously given testimony to the Congress saying that there is not editorial manipulation that disadvantages conservatives. And just like in the case of Google, there have been whistleblowers from Facebook that not only have offered evidence indicating your testimony was not truthful, but there's even video that suggests that content moderators that you employ are out there disadvantaging conservative content. I'm wondering if you are familiar with the experiences of Zach McElroy and Ryan Hartwig, two people who participated in Facebook content review. And what is your response to the very damning video evidence and the testimony from them that the culture that you lead within Facebook is one that disadvantages conservatives and leads to content manipulation?

Mr. Zuckerberg: (03:54:24)

Congressman, I'm somewhat familiar with the concerns that they've raised. And as I've said, we aim to be a platform for all ideas. We got into this because we want to give everyone a voice. I certainly do not want our platforms to be run in a way that has any ideological bias. And I want people to be able to discuss a range of issues. When people raise concerns like

that, we do look into them to make sure that everyone in our operation is behaving and upholding the standards that we would like. And if the behavior that they cited is true, then that would be unacceptable in our operation.

Mr. Gates: (03:55:07)

And following the release of those videos and that evidence from Project Veritas, will you then describe the investigation that Facebook undertook to root out these very corrosive effects on your platform?

Mr. Zuckerberg: (03:55:21)

Congressman, I'd have to get back to you with more details on that, but I know that we have ongoing training in what we do, and we certainly will look into to any complaints that come up. And we want to make sure that and how we run the content review teams that it's done in a way that reflects the values of the company around giving everyone a voice and being a platform for all ideas.

Mr. Gates: (03:55:46)

I'm concerned that the content review does reflect the values of the company, but those values don't in fact, give everyone a voice. They prejudice against certain content. And while I appreciate training as a prophylactic endeavor to try to guide future content, it seems disingenuous for you to suggest that these videos come out that are very damning, that show that people that you trust with content moderation, admitting on video that they disadvantage conservatives, that they label people who support the president as a way to push down their content and limit the reach of that content, for you to then come to us many months later after that was all over the news and the internet and say, well, you'll get back to us and you do a little training. It seems to suggest that you don't take these allegations and this evidence very seriously.

Mr. Gates: (03:56:33)

And so I'll ask the question perhaps in a different way. In your prior testimony to energy and commerce, you said "This does not happen. It cannot happen." Would you at least be willing to acknowledge based on the irrefutable evidence before us, that you don't seem to have investigated that it is possible that at Facebook, your employees do have the power to disadvantage conservative viewpoints, and that they in fact have used that power in ways that we need to root out?

Mr. Zuckerberg: (03:57:03)

Congressman, my testimony in the past and today is about what our principles are as a company and what we try to do. Of course, when you have tens of thousands of employees, people make mistakes. People have some of their own goals some of the time, and it's our job in running the company to make sure that we minimize errors and that we make sure that the company's operations reflect the principles that we intend to run it on.

Mr. Gates: (03:57:33)

And when you fire people as a consequence of their politics, do you think that that impacts the culture and perhaps empower some of the content moderators to also treat people worse as a consequence of their politics?

Mr. Zuckerberg: (03:57:47)

Congressman, I'm not sure what you're referring to, but I'm not aware of any case where we have fired someone on behalf of their politics. And I would say that that would be an inappropriate thing for us to do.

Mr. Gates: (03:57:58)

Why'd you fire Palmer Luckey?

Mr. Zuckerberg: (03:58:01)

Congressman, I'm not sure it's appropriate to get into a specific personnel issue publicly.

Mr. Gates: (03:58:09)

I mean, I can just tell you that Palmer Luckey's NDA with you-

Mr. Zuckerberg: (03:58:10)

... But I can assure you that it was not-

Mr. Gates: (03:58:12)

... I only have 10 seconds, but Palmer Luckey's NDA with you doesn't allow him to talk to anyone except government officials. I'm a government official. I've seen the messages where you have specifically directed Mr. Luckey to make statements regarding his politics for the benefit of your company. So I think both in the case of these content moderators and in the case of the testimony you just gave regarding Mr. Luckey and firing people over their politics, there is serious question as to whether or not you're giving truthful testimony here or whether it's lying before Congress. I see my time's expired and I'll yield back.

Rep. Cicilline: (03:58:45)

Gentleman yields back. I now recognize the gentlelady from Pennsylvania, Ms. Scanlon.

Ms. Scanlon: (03:58:49)

Thank you, Mr. Chairman. Mr. Pachai, I wanted to focus a little bit on Google's acquisition of YouTube and some of the consequences of that move for consumer privacy and competition. Now, Google purchased YouTube in 2006 after identifying it as a potential rival that could eventually draw business away from Google. And it's my understanding Google paid \$1.65 billion for that acquisition, nearly 30 times its original bid of \$50 million. So could you tell us why Google was willing to pay so much more beyond the initial proposed bid, and was this as a result of any analysis on the harm Google would suffer if a competitor had purchased YouTube?

Mr. Pichai: (03:59:33)

Congresswoman, we acquired YouTube in 2006 and this was well before my time there as CEO. And I wasn't directly involved. But what I do recall at the time is that we saw it as a new emerging area. And our mission is to help users with information, we saw an opportunity. And it wasn't clear. YouTube only at 67 people. We acquired the company-

Ms. Scanlon: (04:00:00)

Okay. Was Mr. Page in charge of that decision?

Mr. Pichai: (04:00:06)

Congresswoman, I wasn't very involved-

Ms. Scanlon: (04:00:07)

You don't know? Okay.

Mr. Pichai: (04:00:08)

... But I'm fairly pretty sure our senior leadership team at that time definitely looked into it.

Ms. Scanlon: (04:00:13)

Okay. I would encourage the subcommittee to take the steps necessary to have us hear from whoever was in charge of that. Moving on. Google is now by far the top online site where Americans watch videos, including children's videos. And as I'm sure you're aware, federal law prevents companies from collecting data on children under 13. However, just last year, the federal trade commission found that Google had spent years knowingly collecting data on children under 13 on YouTube and offering advertisers the ability to target those children directly. Mr. Pachai, did YouTube use the data it illegally acquired to improve its ability to target ads to children?

Mr. Zuckerberg: (04:00:59)

We are... This is an area, take it very seriously. I'm a parent too. We are committed. We have invested tremendously. We have a dedicated product for kids in YouTube Kids, on the main YouTube platform. We make sure we have clear policies. We enforce them rigorously. Just in Q4 of 2019, we flagged and removed almost close to a million videos potentially for concerns around child safety. So it's an area we are investing rigorously and will continue to do so.

Ms. Scanlon: (04:01:32)

Well, I'm more concerned about the fact that you're investing rigorously in luring in advertisers, like toymakers, Mattel and Hasbro, by telling them that YouTube is the number one website regularly visited by kids. So that sounds like you're targeting the kids and then targeting advertisers to bring them on board. Is that correct?

Mr. Pichai: (04:01:58)

Today, in the main site of YouTube, we don't allow anyone under 13 to create accounts. There are scenarios in which there could be family viewing. And today, there are creators

who create content oriented towards families. And as part of that, there are advertisers which are interested in connecting with those users. But everything we do here, we obviously comply with all the applicable regulations and-

Ms. Scanlon: (04:02:22)

Okay. Well, let's look at some of the content that is specifically for children. A couple makes it illegal to target those kids, but we've got an issue where content creators are in a very difficult position now. So if a show like Sesame Street doesn't want to show ads for junk food on YouTube, does YouTube allow it to make that choice?

Mr. Pichai: (04:02:47)

Today, we have choices both for creators in terms of tools and preferences. And we have extensive tools for advertisers and above all for users, we give a choice. They can either use YouTube as a subscription service without seeing those types of ads or they can use it for free with ads. So we give choice and for us, it is of utmost important that YouTube is a place where people come to learn and we find increasingly small and medium businesses use YouTube to thrive, especially even during COVID, particularly many businesses-

Ms. Scanlon: (04:03:23)

Okay. Let's go content that's designed for children. So if there's an organization like Sesame Street that wants to provide child-centered content, but they don't want that content to be sullied, shall we say, with junk food ads or something, my understanding is that you say that the content creators can do that, but we've got a recent report from the Wall Street Journal that says YouTube hasn't been honoring those requests, and it's been making it difficult for independent auditing companies like Open Slate to independently audit that, and then report back to those content creators about whether or not YouTube is honoring those. Is that correct?

Mr. Pichai: (04:04:03)

I'm not familiar with the particular report, but I'm happy to understand that better and have my office follow up with your staff, Congresswoman.

Ms. Scanlon: (04:04:12)

I would appreciate that. And my time has expired. I yield back.

Mr. Neguse: (04:04:16)

The gentlewoman yields back. The chair would like to recognize himself for five minutes. Mr. Bezos, thank you for being here today. In your opening statement, you reviewed your written testimony. You indicated I'll just quote that, "Amazon accounts for less than 1% of the \$25 trillion global retail market, and less than 4% of retail in the US." When you refer to retail, I take it based on the empirical studies I reviewed, you're referring to a broad definition of retail that includes restaurants, bars, gas stations. So it's a fairly all encompassing view of retail. I wonder if you know what percentage of Amazon's sales are represented in the terms of online retail sales in the e-commerce market stream?

Jeff Bezos: (04:05:07)

The figures I've seen for... With all respect, I don't accept that e-commerce is a different market, but as a different channel, what I've seen is sort of 30% to 40% is the outside studies that I've seen were Amazon's share of that e-commerce channel.

Mr. Neguse: (04:05:24)

And that's consistent with the data that I have seen. The latest figure I saw was 40%. And so in terms of how we define it, whether it's a stream or a channel, nonetheless, I do think that factually it's an important distinction that I want to make sure we clear here. Obviously, I suspect you understand more than most that the early stages of a startup where entrepreneurs are undertaking risks to bring their products and services to market. Over the course of our investigation, we've heard directly from startups who rely on Amazon services. And that includes obviously representative Jaya Paul's questions, representative Buck, and my colleague from Colorado, with respect to concerns about the way in which Amazon uses confidential information. But we've also heard that not just with respect to the marketplace, but Amazon's cloud computing arm, AWS, the notion that that computing arm essentially identifies startups' best technologies and rolls out replica products and services. So Mr. Bezos, does Amazon use confidential information that companies share via AWS to build competing services?

Jeff Bezos: (04:06:26)

No, sir. Not that I'm aware of. AWS does often, they do keep expanding their services. AWS started 15 years ago. We invented this entire category.

Mr. Neguse: (04:06:38)

Let me just clarify that, Mr. Bezos, I appreciate that. Sorry. I apologize for interrupting. But last week, one of Amazon's former engineers posted online that he and his team "proactively identified growing businesses on AWS," that they built competing products and that they targeted those products to the business's customers. And there's been public reporting on that strategy. So I guess I'm wondering if you can comment on that and how you would account for those statements.

Jeff Bezos: (04:07:05)

Well, I think there may be categories. I know some databases of different kinds and so on where we see that it's an important product for customers and we make our own product offering in that arena. But it doesn't mean we stopped servicing the other companies that are also making those products. We have competitors using AWS and we work very hard to make them successful. Netflix is one example. Hulu is another, and so on.

Mr. Neguse: (04:07:34)

I think the concern, Mr. Bezos, with respect, is that the pattern emerges across the different components in Amazon. Whether it's the marketplace or whether it's the cloud service as I mentioned. In addition, there was an article, I'm sure you're aware, in the Wall Street Journal,

regarding the Alexa Fund, that according to news reports, Amazon's venture capital fund, the Alexa Fund, had invested in a number of different companies. I believe you're familiar with the Alexa Fund investing, for example, in DefinedCrowd Corp. Does that ring a bell?

Jeff Bezos: (04:08:06)

No, sir. I'm afraid it doesn't.

Mr. Neguse: (04:08:08)

Okay. Well, I'll represent to you according to the Wall Street Journal, and I'll just quote from them. "When Amazon incorporated its venture capital fund invested in DefinedCrowd Corp., It gained access to the technology, startups, finances, and other confidential information. Nearly four years later in April, Amazon's cloud computing unit launched an artificial intelligence product that does almost exactly what DefinedCrowd does," said DefinedCrowd founder and chief executive Daniela Braga. Is that refresh your recollection. And are you aware of those allegations?

Jeff Bezos: (04:08:39)

I read that article, but I didn't remember that piece of it. I apologize for that, I don't know the specifics of that situation and I would be happy to get back to your office with more information about that.

Mr. Neguse: (04:08:49)

Well, I would appreciate it. I certainly would welcome that. And to the extent that you all can follow up with the subcommittee with respect to this particular article and the different episodes that are referenced both in terms of DefinedCrowd Corp. There's also another company called Nucleus that you may be familiar with. The reason why I ask these questions, the reason why it matters, Mr. Bezos, to me, is that we are very concerned about this innovation kill zone that seems to be emerging.

Mr. Neguse: (04:09:15)

I represent Boulder and Fort Collins, two of the fastest growing and most innovative tech hubs in the country. And entrepreneurs and founders shared their stories with this committee during one of our field hearings, actually a field hearing that we held at the University of Colorado Law School just earlier this year. And they are extremely dependent on big technology firms, including in terms of investment in capital. Yet, they live in constant fear that the platforms could steal their core technologies or ideas, making it impossible to compete because of those existing advantages. So I see my time has expired, but we will certainly be following up with respect to the episodes that I referenced. With that, I would yield back. Gentleman's time has expired. And the gentleman from Georgia, Ms. McBath is recognized for five minutes.

Ms. McBath: (04:09:57)

Thank you, Mr. Chair. Mr. Cook, Facebook acquired WhatsApp in 2014. And at that time, Sheryl Sandberg told the board that the deal was critical for countering the app store power

of Apple and Google who choke off Facebook's access to mobile devices. Was Sheryl Sandberg correct? Does Apple have the power to exclude apps from the app store?

Tim Cook: (04:10:25)

If you look at the history of this, Congresswoman, we've increased the number of apps from 500 to 1.7 million. So there's a very wide gait for the app store. And there's fierce competition for developers, and we want every app we can on the platform.

Ms. McBath: (04:10:42)

Okay. So, but Mr. Cook, then what you're saying is that Apple can exclude apps from the app store? In fact, it has. In 2018, Apple introduced an app called Screen Time, which helps people limit the amount of time they or their kids spend on their iPhones. Is that correct?

Tim Cook: (04:11:02)

It sounds right.

Ms. McBath: (04:11:03)

Okay. But before Screen Time existed, there were other apps in the app store that gave parents control over their kids' phone usage. Apps like OurPact and KidsLox, and parents depended on them. Soon after you introduced Screen Time, however, you removed these competing apps from the app store. One mother wrote to Apple saying, and I quote her, "I am deeply disappointed that you have decided to remove this app and others like it, thereby reducing consumer access to much needed services to keep children safe and protect their mental health and wellbeing." Mr. Cook, why did Apple remove competing apps right after you released Screen Time?

Tim Cook: (04:11:48)

We were concerned, Congresswoman, about the privacy and security of kids. The technology that was being used at that time was called MDM, and it had the ability to sort of take over the kid's screen and a third party could see it. And so we were worried about their safety.

Ms. McBath: (04:12:08)

Okay. Thank you. I appreciate that. I appreciate that. But the timing of the removal seems very coincidental. If Apple wasn't attempting to harm competitors in order to help its own app, why did Phil Schiller, who runs the app store, promote the Screen Time app to customers who complained about the removal of rival parental control apps?

Tim Cook: (04:12:33)

Congresswoman, I can't see this email. I'm sorry. My eyes are not good enough to read it. But I see Screen Time as just an alternative, that there are over 30 parental control apps that are in the app store today. And so there is vibrant competition for parental controls out there.

Ms. McBath: (04:12:53)

Okay. Well, Mr. Cook, the fact is that Apple sidelined Screen Time's competition by keeping them out of the app store. And while Apple claims these competitors weren't meeting Apple's privacy standards, these apps' creators say that you admitted them back in six months later without requiring significant privacy changes. And of course, six months is truly an eternity for small businesses to be shut down, even worse if all the while a larger competitor is actually taking away customers.

Ms. McBath: (04:13:28)

And this is not the first time something like this seems to have happened, Mr. Cook. Let me give you another example of the harm that's been caused to your competitors. In 2010, Apple introduced an online bookstore called the iBookstore where it offered eBooks. And the only major publisher that didn't agree to join iBookstore was Random House. Random House wanted to offer its own eBooks through its own apps, and submitted their apps to be added to the app store. Amidst continued negotiations between Apple and Random House, senior VP, Eddie Q. Said, and I'm quoting him. I'm quoting him when he said, "It prevented an app from Random House from going live in the app store." Q. himself cited this app projection as a factor and finally getting Random House to give in and join iBookstore. Mr. Cook, is it fair for Apple to use its power over the app store to pressure a business to join Apple's own app?

Tim Cook: (04:14:35)

I can't see the email. And so I don't know the context of it, but there are many reasons why the app might not initially go through the app store gate. Because it may not work properly. There may be other issues with it. So it's very difficult to see. I would say though, on a macro basis, the gate to the app store is very wide. We have 1.7 million apps in it. It's become an economic miracle with over \$138 billion of commerce just in the US.

Ms. McBath: (04:15:10)

Well, Mr. Cook, I really, really appreciate that sentiment, but I want to say to you that Apple enjoys enormous power to control which apps can reach consumers, even some of the largest companies in the country fear your power. Our evidence suggests that your company has used its power to harm your rivals and boost your own business. This is fundamentally unfair and harms small businesses that rely on you to reach customers and stifles the innovation that is the lifeblood of our economy. Ultimately, it reduces the competition and choices that are made available to consumers and that is a great concern to all of us. And I yield back.

Rep. Cicilline: (04:15:54)

Gentlelady yields back. That concludes that round in light of the request of Mr. Gates for a third round. And because many of my colleagues would like to get more fulsome answers on a number of issues, we'll proceed to a final round. And my expectations we will conclude within the hour. And I'll recognize myself for five minutes. Mr. Zuckerberg, we've seen the dominance of several of the companies appearing before us today that it's not just harmful to our economy and competition, but it's harmful to the founding principles of our democracy.

Rep. Cicilline: (04:16:23)

Facebook and Google are designed to keep users on their platforms, whatever the cost. Because disinformation, propaganda and hateful speech are good for engagement, they're good for business. But over a hundred years ago, the Supreme court justice, Oliver Wendell Holmes Jr. wrote, "The most stringent protection of free speech would not protect a man in falsely shouting fire in a theater and causing panic." My first question is, Mr. Zuckerberg, do you agree with that principle that there are limits to harmful and false speech, and that are particularly important when it comes to the health and safety of the public?

Mr. Zuckerberg: (04:16:58)

Congressman, I certainly do. And I actually think that our policies go further than just limiting those types of things.

Rep. Cicilline: (04:17:10)

Well, Mr. Zuckerberg, you have a billion users and almost 50,000 employees. And so you agree you ever responsibility to remove harmful lies from your platform, correct?

Mr. Zuckerberg: (04:17:21)

Congressman, I think we have a responsibility to limit the spread of content that's going to be harmful for people. And also I'd like to add that I do not believe that we have any incentive to have this content on our service. People don't like it-

Rep. Cicilline: (04:17:37)

Mr. Zuckerburg, with all due respect, except that it is often the most engaging. It brings the most likes, or it brings the most activity, which of course produces great profits. So you do have an incentive. The more engagement there is, the more money you make on advertising. So let me ask you a question. Let me give you some specific examples that will illustrate my concerns. These are some of the top 10 most shared articles on Facebook in 2020. Trump suggests injection of disinfectant to beat coronavirus and clean the lungs. Coronavirus hype, biggest political hoax in history. US hospitals getting paid more to label cause of death as coronavirus. During the greatest public health crisis of our lifetime, don't you agree that these articles viewed by millions on your platform will cost lives?

Mr. Zuckerberg: (04:18:28)

Congressman, with respect we certainly have policies that prohibit false information about COVID that would lead to imminent harm. And we've been quite aggressive about taking that down as some of the questioning from the other side of the aisle has shown so far. I'm proud of our efforts here.

Rep. Cicilline: (04:18:47)

Mr. Zuckerburg, with all due respect, the problem is Facebook is profiting off an amplifying disinformation that harms others because it's profitable. This isn't a speech issue. It's about Facebook's business model that prioritizes engagement in order to keep people on

Facebook's platform to serve up more advertisements. So I'll ask you very specifically, what are you doing right now to protect people from demonstrably false claims related to this deadly pandemic?

Mr. Zuckerberg: (04:19:20)

Congressman, I'll certainly answer that, but I have to disagree with the assertion that you're making, that this content is somehow helpful for our business. It is not what people want to see, and we rank what we show in feed based on what is going to be the most meaningful to people and is going to create longterm satisfaction, not what's just going to get engagement or clicks today. That's a common misconception.

Rep. Cicilline: (04:19:47)

If that's true, Mr. Zuckerberg, how do you explain that on Monday, the second most popular posts on Facebook was a Breitbart video claiming that you don't need a mask and hydroxychloroquine is a cure for COVID? And in the first five hours after being posted on Facebook, it racked up 20 million views and over \$100,000 comments before Facebook acted to remove it?

Mr. Zuckerberg: (04:20:12)

Well, Congressman, a lot of people shared that and we did take it down because it violates our policies. We work with the CDC-

Rep. Cicilline: (04:20:18)

After 20 million people saw it over the period of five hours? I mean, doesn't that suggest, Mr. Zuckerberg, that your platform is so big that even with the right policies in place, you can't contain deadly content?

Mr. Zuckerberg: (04:20:34)

Congressman, I don't think so. I think we have, on COVID misinformation in particular, a relatively good track record of fighting and taking down lots of false content, as well as putting up authoritative information. We have built a COVID information center with authoritative information from health officials that we put-

Rep. Cicilline: (04:20:52)

Thank you, Mr. Zuckerberg. I just have one more question for you. I appreciate that, Mr. Zuckerberg. When a television station runs a false political advertisement, they're held liable for that. Why should Facebook or any other platform be different? While you may not be a publisher you're responsible maybe not for the first posting, but you then take that posting and you apply a set of algorithms that decide how you will disseminate that, which is a business decision, not a first amendment decision. And it's hard to understand why Facebook shouldn't be responsible for those business decisions.

Mr. Zuckerberg: (04:21:25)

Congressman, in terms of political ads, we've bottled a lot of our policies off of the FCC guidelines on broadcasters and their requirements to run political ads equally from all different sides.

Rep. Cicilline: (04:21:40)

Yeah, I think these examples unfortunately, Mr. Zuckerberg, are just the tip of the iceberg. It's not just about COVID. Facebook hosts enables countless pages and ads that are dedicated to conspiracy theories and calls to violence, including content that led to the white supremacist rally in Charlottesville in 2017. And Facebook gets away with it because you're the only game in town. There's no competition forcing you to police your own platform. Allowing this misinformation to spread can lead to violence. And frankly, I believe it strikes at the very heart of American democracy. And with that, I now recognize the gentleman from Florida, Mr. Gates, for five minutes.

Mr. Gates: (04:22:17)

Thank you, Mr. Chairman. Mr. Pachai, in 2016, there was an internal Google meeting. You attended that meeting along with Sergey Brin. A video of that meeting was leaked to Breitbart. And at the meeting, top Google executives, including Kent Walker, lamented Trump's victory, they compared Trump voters to extremists, and it was discussed that there was an intent to make the Trump win a blip in the populous movement in American history. Now, I know you've testified today in response to my questions and Mr. Jordan's questions that you don't intend this time to engage in electioneering on behalf of the former vice president. But given the video evidence of senior members of your team in your presence saying that they had the intent to make the Trump victory a blip, why should we believe that testimony today?

Mr. Pichai: (04:23:18)

Congressman, we do not have a view on... We respect the democratic process. We are deeply committed to it. As a company, we take pride in the information we provide to help people participate in free elections. And we are deeply committed to it, as I said to Congressman Jordan as well.

Mr. Gates: (04:23:40)

Do you remember that meeting in 2016 that you attended?

Mr. Pichai: (04:23:43)

Congressman, yes, I do. It was in the context of through the election across both sides, there was a lot of opinions. And as you know, elections are kind of a polarizing moment generally in the country. And there was a lot of rhetoric about certain issues which were affecting our employees and-

Mr. Gates: (04:24:01)

I understand rhetoric. I guess the question is...

Mr. Pichai: (04:24:03)

Certain issues, which were...

Mr. Gates: (04:24:03)

Oh, I understand rhetoric...

Mr. Pichai: (04:24:03)

Affecting our employees...

Mr. Gates: (04:24:03)

I guess the question is, when the senior members of your team in your presence said that they did have the intent to change the outcome in a subsequent election. And then since that moment in time where we've seen all of these conservative websites and conservative viewpoints censored, you can understand why people would be concerned. So after your employees and top executive said in your presence that they intended to make the Trump victory a blip, what action did you take as the CEO to protect and preserve the neutrality of your platform?

Mr. Pichai: (04:24:37)

Congressman, no one had a view on ever interfering with elections or so on. But what I can tell you is we've made it very clear, about two years ago we announced new community guidelines for within Google clearly making it clear that employees obviously are free to have their political views, but they shouldn't bring that as they work on any of our products and if we found any evidence that people are using a political agenda to manipulate any of our content platforms we would take strong enforcement action.

Mr. Gates: (04:25:15)

But unfortunately, we have sort of a string of events here. We have the 2016 meeting where people demonstrated their intent to make changes to hurt the president, then we have your testimony today that's a little different than your testimony from December where you say people can manipulate blacklists, and then you have the outcome where sites like Breitbart and Gateway Pundit and others see that disparate treatment. So it really doesn't take Sherlock Holmes here to connect the dots and see what Google's doing.

Mr. Gates: (04:25:42)

I'm going to move on with my final 90 seconds. Mr. Bezos, I am deeply moved by your personal story. I am not here accusing you as someone who would ever traffic in hate, but it seems you have empowered people who do, and I'm particularly talking about the Southern Poverty Law Center. The Southern Poverty Law Center, which you allow to dictate who can receive donations on your AmazonSmile platform have said the Catholic Family News, Catholic Family Ministries, the Federation for American Immigration Reform, the American Family Association, the Family Research Council, the Jewish Defense League, and even Dr. Ben Carson are extremists and should be treated differently. Dr. Carson is on the cabinet and is one of the most renowned minds in America.

Mr. Gates: (04:26:29)

I'm just wondering why you would place your confidence in a group that seems to be so out of step and seems to take mainstream Christian doctrine and label it as hate.

Jeff Bezos: (04:26:42)

Sir, it's a good question. For those of you who don't know what AmazonSmile is, it's a program that allows customers to designate a certain fraction of their purchases to go to charity that we then pay for. And they can select from any one of millions of charities. And we use the Southern Poverty Law Center data to say which charities are extremist organizations. We also use the US Foreign Asset Office to do the same thing...

Mr. Gates: (04:27:09)

But why? Since they're calling the Catholics and these Jewish groups hateful groups. Why would you trust them?

Jeff Bezos: (04:27:15)

Sir, I'm going to acknowledge this is an imperfect system.

Mr. Gates: (04:27:19)

No doubt.

Jeff Bezos: (04:27:19)

And I would love suggestions on better or additional sources.

Mr. Gates: (04:27:25)

My suggestion would be a divorce from the SPLC and I see that I'm out of time and I yield back.

Mr. Cicilline: (04:27:30)

Gentleman yields back. I now recognize the gentleman from Georgia, Mr. Johnson.

Mr. Johnson: (04:27:37)

Thank you, Mr. Chairman. Facebook is dominant not just in the social media market, but also in its digital surveillance capabilities. In 2012, Facebook had several tools that allowed it to conduct digital surveillance, including trackers, Facebook's Like button, Facebook login, and a series of application programming interfaces, or APIs. Mr. Zuckerberg, these tools provide Facebook with insights into its competitors, websites and apps. Isn't that correct? Yes or no.

Mr. Zuckerberg: (04:28:15)

Congressman, I think broadly the answer to what you're saying is yes. We and every other company here do market research to understand what people are finding valuable and...

Mr. Johnson: (04:28:31)

All right, okay. So you're going beyond the scope of my question. I appreciate that answer though. Mr. Zuckerberg, a few days before Facebook acquired Instagram, a Facebook vice

president emailed you suggesting ways to improve Facebook's "competitive research." By building a custom model Facebook could improve its understanding of its competitors and "make more bold decisions on whether they are friends or foes." Mr. Zuckerberg, how does Facebook improve its competitive research to distinguish friends from foe?

Mr. Zuckerberg: (04:29:12)

Congressman, I'm not sure exactly what he was referring to in that email there, but he is one of the people involved in running our analytics organization. And I think it's natural that he would, as part of his responsibility, be focused on market research and understanding more there.

Mr. Johnson: (04:29:27)

And certainly, isn't it true that Facebook, after that conversation, purchased the web analytics company on Onavo in 2013 to give Facebook more capability to monitor its competitors?

Mr. Zuckerberg: (04:29:43)

Congressman, I think you have the timing correct. We purchased Onavo as part of our broader market research capacity.

Mr. Johnson: (04:29:52)

And that would give you the capability to monitor your competitors, correct?

Mr. Zuckerberg: (04:29:57)

Congressman, it gave aggregate analytics as to what people were using and what people were finding valuable. Sort of like the type of product you would get from Nielsen or Comscore or some of these other third party companies that provide similar data.

Mr. Johnson: (04:30:14)

Well, Mr. Zuckerberg, that acquisition gave you nonpublic realtime data about engagement, usage, and how much time people spend on apps. And when it became public that Facebook was using Onavo to conduct digital surveillance, your company got kicked out of Apple's App Store. Isn't that true?

Mr. Zuckerberg: (04:30:37)

Congressman, I'm not sure I'd characterize it in that way. I think this was part of a broader policy...

Mr. Johnson: (04:30:44)

Onavo did get kicked out of the App Store. Isn't that true?

Mr. Zuckerberg: (04:30:49)

Congressman, I believe we took the app out after Apple changed their policies about what type of...

Mr. Johnson: (04:30:52)

And it was because of the use of the surveillance tools.

Mr. Zuckerberg: (04:31:01)

Congressman, I'm not sure that the policy was worded that way or that that's exactly the right characterization of it, but in that particular policy...

Mr. Johnson: (04:31:11)

Okay. Well, let me ask you this question. After Onavo was booted out of the App Store you turned to other surveillance tools such as Facebook research app, correct?

Mr. Zuckerberg: (04:31:25)

Congressman, in general, yes. We do a broad variety of market research...

Mr. Johnson: (04:31:32)

And also isn't it true, Mr. Zuckerberg, that Facebook paid teenagers to sell their privacy by installing Facebook research app?

Mr. Zuckerberg: (04:31:41)

Congressman, I'm not familiar with that, but I think it's a general practice to that companies use to have different surveys and understand data from how people are using different products and what their preferences are.

Mr. Johnson: (04:31:59)

Facebook research app got thrown out of the App Store too, isn't that true?

Mr. Zuckerberg: (04:32:04)

Congressman, I'm not familiar with that.

Mr. Johnson: (04:32:07)

Okay. Well, over nearly a decade, Mr. Zuckerberg, you led a sustained effort to surveil smaller competitors to benefit Facebook. These were steps taken to abuse data, to harm competitors, and to shield Facebook from competition. You tried one thing and then you got caught, made some apologies, then you did it all over again. Isn't that true?

Mr. Zuckerberg: (04:32:38)

Congressman, I respectfully disagree with that characterization. I think every company engages in research to understand what their customers are enjoying so that they can learn and make their products better. And that's what we were trying to do, that's what our analytics team was doing. And I think in general, that allowed us to make our services better for people to be able to connect in a whole lot of different ways, which is our goal.

Mr. Johnson: (04:33:02)

Did you use that capability to purchase WhatsApp?

Mr. Zuckerberg: (04:33:08)

Congressman, it was one of the signals that we had about WhatsApp's trajectory, but we didn't need it. Without that, it was pretty clear that WhatsApp was a great product. I already had a relationship with Jan Koum, the founder.

Mr. Johnson: (04:33:26)

And it was a competitor...

Mr. Cicilline: (04:33:27)

Gentleman's time has expired. I now recognize the gentleman from Florida, Mr. Steube.

Greg Steube: (04:33:34)

Thank you, Mr. Chairman. I have a question for all four, a yes or no answer. Do you believe that the Chinese government steals technology from US companies? I'll start with Mr. Cook.

Tim Cook: (04:33:48)

I don't know of specific cases where we have been stolen from by the government.

Greg Steube: (04:33:55)

So you don't believe that the Chinese government's stealing technology from US companies, or you're just saying that not from yours?

Tim Cook: (04:34:02)

I'm saying I know of no case of ours where it occurred, which I can only speak to firsthand knowledge.

Greg Steube: (04:34:11)

Mr. Pichai, do you believe that the Chinese government steals technology from United States companies?

Mr. Pichai: (04:34:18)

Congressman, I have no firsthand knowledge of any information stolen from Google.

Greg Steube: (04:34:25)

Mr. Zuckerberg?

Mr. Zuckerberg: (04:34:29)

Congressman, I think it's well documented that the Chinese government steals technology from American companies.

Greg Steube: (04:34:34)

Yeah, thank you. Mr. Bezos? You're on mute.

Mr. Cicilline: (04:34:44)

Mr. Bezos, I believe you're on mute.

Jeff Bezos: (04:34:46)

I'm sorry. I have heard many reports of that and I haven't seen it personally, but I've heard many reports of it.

Greg Steube: (04:34:52)

So of all the different products that Amazon carries you haven't seen that in any of the companies that sell products on Amazon or your company yourself?

Jeff Bezos: (04:35:01)

Oh, well, certainly there are a knockoff products, if that's what you mean. And there are counterfeit products and all of that, but if the answer is that Chinese government are stealing technology, that's the thing I read reports of, but don't have a personal experience with.

Greg Steube: (04:35:17)

It's no secret that Europe increasingly seems to have an agenda of attacking large successful US tech companies, yet Europe's approach to regulation in general, in antitrust in particular, seems to have been much less successful than America's approach. America is a remarkable nursery for innovation and entrepreneurship and pursuit of the American Dream. As you all know, from direct experience, this is a country where it's possible to start a company from a garage or dorm room and experience tremendous success.

Greg Steube: (04:35:43)

Do you have any recommendations on how Congress can better protect US firms and US companies from aggression and government intervention abroad? Not just in Europe, but in China as well. Anybody that would like to chime in I'll open it up to any of you. None of you have any recommendations on how Congress can better protect US companies like yourself? All right. Well, then I'll yield the remainder of my time to Mr. Gaetz.

Mr. Gates: (04:36:13)

Thank the gentlemen for yielding. Mr. Zuckerberg, what is a digital land grab?

Mr. Zuckerberg: (04:36:20)

Congressman, I'm not sure what you're referring to.

Mr. Gates: (04:36:22)

Well, in the emails that your company produced to the committee there's one from David Wainer in 2014 where he's describing under the mergers and acquisitions advice within the company that you need to engage in a land grab. And he says, "I hate the word land grab, but I think that's the best convincing argument and we should own that." And then it goes on to describe a strategy wherein Facebook would spend five to 10% of its market cap each year to shore up its market position. Does that refresh your recollection?

Mr. Zuckerberg: (04:36:57)

Yes, congressman. Thanks for the opportunity to address this and, frankly, to correct the record. Because I believe that what he was referring to was a question that was incoming

from investors about whether we would continue to acquire different companies. I don't think that that was... That wasn't referring to an internal strategy, it was referring to an external question that we were facing about how investors should expect us to act going forward. And I think he was discussing the fact that as mobile phones were growing in popularity there were a lot of new ways that people could connect and communicate, that we're part of this overall broader space and market around human connection and helping people stay connected and share their experiences that were...

Mr. Gates: (04:37:45)

Okay. Well, Mr. Zuckerberg, it seems to be both internal and external because then in an email from you in 2012 we see a similar sentiment expressed. You write, "We can likely always just buy any competitive startups." So is your desire to limit competition by purchasing your competitors consistent with the message to your investors that the way you'll run your company is through digital land grabs?

Mr. Zuckerberg: (04:38:16)

Congressman, I'm not sure I agree with the characterization of how we communicated with investors, but...

Mr. Gates: (04:38:22)

It's your words, Mr. Zuckerberg.

Mr. Zuckerberg: (04:38:23)

But I think the broader point is that there were a lot of new ways that people can connect that were created by smartphones...

Mr. Gates: (04:38:31)

But this is about your merger and acquisition strategy. You went on to say, "One thing about startups is you can often acquire them." So I'm not interested in how people connect, I'm interested in how you acquire businesses to limit competition.

Mr. Cicilline: (04:38:42)

The gentleman's time has expired, but the witness may answer the question.

Mr. Zuckerberg: (04:38:47)

Congressman, in order to serve people better and help people connect in all the ways they would want we innovated and built a lot of new use cases internally, and we acquired others. And that I think has been a very successful strategy at serving people well, and a lot of the companies that we've been able to acquire have gone on to reach and help connect many more people than they would have been able to on their own. And in terms of things like...

Mr. Gates: (04:39:13)

You've grabbed a lot of land, I would say. I yield back, Mr. Chairman.

Mr. Cicilline: (04:39:17)

Thank you. The gentleman yields back. I now recognize the chair of the full committee, Mr. Nadler for five minutes.

Rep. Nadler: (04:39:25)

Thank you, Mr. Chairman. Mr. Cook, we've heard from businesses that Apple was canvassing the App Store to determine whether it can extract commissions from apps that have changed their business models in response to the pandemic. Businesses that relied on in-person interactions have moved online and Apple is looking for it's cut. Our staff has heard from some of the effected businesses, they say you were calling them up demanding your 30%. Isn't this pandemic profiteering?

Tim Cook: (04:39:57)

We would never do that, Mr. Chairman. The pandemic is a tragedy and it's hurting Americans and many people from all around the world and we would never take advantage of that. I believe the cases that you're talking about are cases where something has moved to a digital service, which technically does need to go through our commission model. But in both of the cases that I'm aware of, we are working with the developers.

Tim Cook: (04:40:29)

To sort of zoom out and to give you some historical context on this, when we entered the App Store market the cost of distributing software was 50 to 70%. And so we took the rate in half, to 30%, and we've held it in that same level over time, or lowered it. It's now responsible for 2 million jobs across America, and 84% of the apps on the store are distributed for free, where a hundred percent of the proceeds go to the developer. Only that 16% is subject to a commission of either 15 or 30%.

Rep. Nadler: (04:41:13)

And school is about to start around the country and millions of parents and students will attend school online. They will rely on apps to talk to teachers, tutors and virtual learning tools. Are these online learning tools, are they next on Apple's list to monetize?

Tim Cook: (04:41:33)

They're not Mr. Chairman. We're very proud of what we've done in education. We are serving that market in a significant way, including tons of donations. And we will work with people that happen to move from a physical to a virtual world because of the pandemic. We've done a lot to address COVID in general, as a company. We've sourced and donated 30 million masks, turning our supply chain into something that would be great for America, we've designed a face shields, donated 10 million of those, we're donating significant amounts of money across the US

Rep. Nadler: (04:42:19)

Thank you, thank you. Now, we've heard that Apple is now trying to extract commissions for various apps that previously didn't pay you anything. You [inaudible 04:42:30] were told the

email app Hey, and then days later threatened to kick it out of the App Store unless it built a way to give you a cut of revenue. The COO of Basecamp, creator of the Hey app, testified before our committee earlier this year. He was concerned about Apple's monopoly over software distribution on iOS devices and he seems to have been right. Apple says services like Hey have always been required to cut Apple in, but you previously didn't interpret your rules that way, you didn't enforce your rules this way. So would you comment on this, please.

Tim Cook: (04:43:08)

Yeah, Mr. Chairman, I would. Hey is in the store today and we're happy that they're there. I believe that they have a version of their product is for free and so they're not paying anything on that. I would also say the 30%, I hope you give me a time to explain this, or 15%, is for lots of different services, from programming languages to compilers to 150,000 APIs. It has been an economic miracle to allow the person in their basement to start a company, a global company, and serve 175 countries in the world. It is amazing. Likely the highest job creator in the last decade.

Rep. Nadler: (04:43:57)

I see. And you haven't changed the rules in such a way as to make apps pay when they weren't paying before?

Tim Cook: (04:44:09)

I know of no case where we've done that. I'm sure we've made errors before. We get 100,000 different apps submitted a week, and we've got 1.7 million on the store. But across that period of time, we've never raised commissions from the first day the App Store went into effect back in 2008. We've only lowered them.

Rep. Nadler: (04:44:37)

Well, thank you. I see my time has expired. I yield back.

Mr. Cicilline: (04:44:39)

Gentleman yields back.

Tim Cook: (04:44:40)

Thank you for the question.

Mr. Cicilline: (04:44:42)

I now recognize the gentleman from North Dakota, Mr. Armstrong.

Kelly Armstrong: (04:44:45)

Thank you, Mr. Chairman. Mr. Pichai, in 2015, Google announced that it would not allow third parties to buy YouTube ads via AdEx. That means that ad buys on YouTube are conducted only through Google demand side products. Google justified this change by citing privacy and user experience. My understanding is that Google cited a concern that third party digital ad participants would develop user profiles based on these viewing. It is also my

understanding that even under the GDPR, you allow users to provide consent which would authorize this type of activity. It seems that this policy, regardless of the privacy concerns, reduced competition for demand side platforms on YouTube. Do you agree?

Mr. Pichai: (04:45:33)

Congressman, we're always looking to improve the YouTube experience. Part of being able to integrate the space [inaudible 04:45:40] in YouTube we've been able to innovate with something called TrueView ads. So for users, we give them skippable ads if they find the ads not to be relevant, they can skip past those ads. And monetizing YouTube well is what allows, today we have many, literally hundreds of thousands, of creators earning a livelihood, and many of them are small and medium businesses. So we want to support that well and so we are focused on that. Allowing this type of integration is what allows us to create that user experience.

Kelly Armstrong: (04:46:09)

But after Google stopped allowing third parties to buy YouTube ads via AdEx, Google limited the interoperability of third party analytics on YouTube. You now require the use of ads on DataHub. Again, the justification is based on user privacy. Other ad market participants may not have access to that data, but it doesn't disappear, does it?

Mr. Pichai: (04:46:30)

Congressman, this is consistent with how today many services, be it Facebook or Snapchat or Pinterest, you work with their ad tools to buy ads on their properties. I think we are trying to...

Kelly Armstrong: (04:46:40)

Well, I understand that, but the excuse is privacy, but the data doesn't disappear. You just have greater control over it, right?

Mr. Pichai: (04:46:47)

Congressman, it's a service we provide to our users. We obviously want to make sure we protect the privacy of users there. We do monetize with ads, we give users a choice of either consuming it as a subscription service or using it with ads. And we've been very focused on making YouTube a great platform for creators. And I think the model is working well, and it's really helped many small and medium businesses to invest on the platform and grow their businesses.

Kelly Armstrong: (04:47:14)

So regardless of the intent was to lessen competition or not, the action resulted in smaller competitors unable to participate in placing ads on YouTube. Isn't that correct?

Mr. Pichai: (04:47:27)

Congressman, we see robust choice for advertisers. There is several alternatives. There is obviously Facebook suite of products, there's Amazon with their apps marketplace, there is

companies like Snapchat, Pinterest, Twitter, there are new competitors who have emerged. And this is why we have seen advertising cost decline by 40% in the last 10 years and so we see dynamism in the marketplace we are focused on...

Kelly Armstrong: (04:47:56)

Yeah, but here's my issue. And there are policies that actually protect user privacy. Apple's encryption policy, Microsoft just came out on facial recognition policy. My concern is that the position is that when we're using privacy, we're trying to use privacy and we're using privacy as a shield, but what we're really doing and what your company's really doing is using it as a cudgel to beat down the competition. And when we're talking about privacy, it's a great word that people care about, but not when it's utilized to control more of the marketplace and squeeze out smaller competitors.

Kelly Armstrong: (04:48:31)

And with that, I yield the remainder of my time to Mr. Gaetz.

Mr. Gates: (04:48:35)

Thank the gentleman for yielding. Mr. Bezos, we were cut short in our last discussion. I just wanted to give you the chance to clear this up. You don't believe Dr. Ben Carson is an extremist, do you?

Jeff Bezos: (04:48:45)

No, sir. I don't.

Mr. Gates: (04:48:46)

So help me understand why you would partner with a group that labels him as someone worthy of an extremist watch list.

Jeff Bezos: (04:48:54)

Well, I want you to hopefully appreciate when we're trying to make it possible for people to donate to any number for millions of different charities, and we need to have some source of data to use, and while I accept what you're saying that the Southern Poverty Law Center and the US Foreign Asset Office are not perfect and I would like a better source if we could get it, that is what we use today. But I would happily engage...

Mr. Gates: (04:49:21)

Well, that's breaking news. It's great to hear that you do recognize the infirmities in the Southern Poverty Law Center. And I guess, Mr. Zuckerberg and Mr. Pichai's companies use them as well. Mr. Zuckerberg, do you believe that Dr. Ben Carson is an extremist?

Mr. Zuckerberg: (04:49:36)

No, congressman.

Mr. Gates: (04:49:38)

And so why would you trust the people who think he is?

Mr. Zuckerberg: (04:49:43)

Congressman, I'm not aware of where we work with the organization that you're saying...

Mr. Gates: (04:49:49)

Oh, the Southern Poverty Law Center? Okay.

Mr. Cicilline: (04:49:50)

The gentleman's time has expired and I recognize the gentleman from Maryland, Mr. Raskin, for five minutes.

Mr. Raskin: (04:49:56)

Thank you, Mr. Chairman. I read Richard Hofstadter's *The Paranoid Style in American Politics*, so I suppose it's feudal to try to cure the obsessive persecution complex and victimology of some of our colleagues, but they should check out the top performing Facebook link posts by the United States pages today, or yesterday, or any day for the last week, and seven or eight out of the 10 each day are right wing sites. Ben Shapiro, Fox News, Dan Bongino, Ben Shapiro, Fox News, Blue Lives Matter, and so on. So if Facebook is out there trying to repress conservative speech, they're doing a terrible job at it. And so I don't understand just the endless whining about how Facebook and Twitter, or Facebook and Twitter, are somehow discriminating against conservatives.

Mr. Raskin: (04:50:52)

The removal of Donald Trump and Donald Trump Jr. from Twitter, their tweets, was all about their spreading disinformation, false statements about COVID-19. That was an absolute public health measure, which I hope all of us would endorse. We don't want anybody, including the President of the United States, spreading false information about COVID-19. So I think they essentially destroy their own case when they pick that as their cause for going after all of you. And I don't understand for the life of me, the line of questioning about electioneering taking place by some of your companies. If you're as opposed to electioneering by corporations as I am, and you're opposed to Citizens United, then you've got no problem. Citizens United is what gave corporations the power to go out and spend money. And if you don't like the way that some companies are spending money, then either start your own company or tell them what's wrong with it. But the idea that electioneering is something you're opposed to just strikes me as completely inconsistent with the history and the facts.

Mr. Raskin: (04:52:04)

So I want to go to Mr. Cook if we could. But first a quick question, are any of your company's benefit corporations and is that something you've considered doing? Is there any one of you that have thought about becoming a B Corp or a benefit corporation? Okay, I take it the answer's no there.

Mr. Raskin: (04:52:26)

Mr. Cook, I'm hung up on this whole 30% question that several members have talked to you about. And you said sometimes it's 15%, sometimes it's 30%. Can you explain when it's 15 and when it's 30, and why it's 15 sometimes and why it's 30?

Tim Cook: (04:52:45)

Sure. Thank you for the question, congressman. In 84% of the time, it's zero. 16% of the time, it's 15 or 30. In the case of it's 15, if it's in the second year of a subscription.

Mr. Raskin: (04:53:01)

Okay. So you just graduate from your first year, you're taking no toll essentially, the second year it's 15, and then it's 30 after that. Is that right?

Tim Cook: (04:53:11)

No, no. If it's a subscription product, it's 30% in the first year and then it drops to 15 in the second year and every year thereafter.

Mr. Raskin: (04:53:20)

I gotcha. Okay. Well, what troubles me is just what one business woman told me when I was looking at this, which is, she said, "I pay around 25% of my income, to Uncle Sam, to the government, and then I pay 30% of my income to Apple. And so I get half of it and it's very hard to make ends meet." And I just wonder, and look, all of you are in business and all of you are tremendously successful at what you do and obviously this model has worked for you, but the question is, does this model actually squeeze out the next generation of entrepreneurs? And is it an unjust arrangement because you're the 10,000 pound gorilla and they're just trying to get started?

Tim Cook: (04:54:08)

No, I don't think so. In fact, keep in mind, we've gone from 500 apps to 1.7 million and so there's a lot of apps on the store and a lot of people are making a very good living.

Mr. Raskin: (04:54:20)

And you've said that. Forgive me for interrupting, but you've said that several times, but that to me might just underscore the monopoly nature of your business, that everybody's got to go through, there's really no alternative. And so, I don't blame you for taking them all, but that doesn't mean that the terms that are being dictated are in fact fair terms. So how would you defend substantively that bargain?

Tim Cook: (04:54:45)

Whether you look at it from a customer point of view or a developer point of view, there are enormous choices out there. If you're a developer, you can write for Android, you can write for Windows, you can write for Xbox or PlayStation. If you're a customer and you don't like the setup, the curated experience of the App Store, you can buy a Samsung.

Mr. Raskin: (04:55:06)

Okay. I appreciate that. Forgive me for cutting you off. I've got one more final question for Mr. Zuckerberg. You spend a lot of your time speaking to our conservative colleagues who have this persecution complex that you're somehow going after them. Will you have time to meet with this broad coalition of civil rights groups that are engaged in a boycott because of what they think is the proliferation of hate speech and Holocaust revisionism and other affiliated topics on Facebook?

Mr. Zuckerberg: (04:55:34)

Congressman, yes. I already have taken the time to meet with them. I think that the topics that they're pushing on are important. On a lot of the goals we agree. These are issues around fighting hate that we have focused on for years, and we are committed to continuing to improve the way that our company works and just continually getting better on these issues.

Mr. Raskin: (04:55:58)

I appreciate that. And I will tell them of your answer. Thank you.

Mr. Cicilline: (04:56:00)

Thank you, Mr. Zuckerberg. I now recognize the gentleman from Ohio, Mr. Jordan, for five minutes.

Rep. Jordan: (04:56:05)

Thank you, Mr. Chairman. Mr. Cook, is the cancel culture mob dangerous?

Tim Cook: (04:56:13)

It's something I'm not all the way up to speed on, but if you're talking about where somebody with a different point of view talks and they're canceled, I don't think that's good. I think it's good for people to hear different points of view and decide for themselves.

Rep. Jordan: (04:56:32)

Yeah, I agree with that. I want to just reference a letter. Bari Weiss, who resigned as an editor at the New York Times, she wrote a letter explaining why she resigned. And I'll just read three sentences for all of you, actually. She says, "First of all, my own forays into wrong think made me the subject of constant bullying by my colleagues who disagree with my views," she then says later in the letter, "Everyone lives in fear of the digital thunder dome. The online venom is excused so long as it is directed at the proper targets. And those..."

Rep. Jordan: (04:57:03)

... is excused so long as it is directed at the proper targets, and those targets aren't just conservative. In fact, Ms. Weiss is actually center left. She's not conservative. The targets are anyone who disagrees with the mob. Are the rest of you concerned about the cancel culture mob and what it's up to, Mr. Pichai?

Mr. Pichai: (04:57:23)

Congressman, I'm sorry. I had momentary difficulty hearing, but we build platforms which allows for freedom of expression and we take pride in the fact that, across our platforms, including YouTube, there are more diverse voices than ever before. It is something we are [crosstalk 04:57:41]-

Rep. Jordan: (04:57:43)

That's fine, that's fine. I'm just saying I'm concerned about it. And again, I'm concerned about not just because conservatives get attacked. I'm concerned when anyone gets attacked for expressing a viewpoint. I thought we had a first amendment, and yet they constantly get attacked. How about you, Mr. Zuckerberg?

Mr. Zuckerberg: (04:57:57)

Yes, Congressman. I believe strongly in free expression. Giving people a voice is an important part of what our services do. And I am very worried about some of the forces of illiberalism that I see in this country that are pushing against free expression. I think that this is one of the fundamental democratic traditions that we have in our country and it's how we make progress over the longterm on a number of issues. And our company is committed to doing what we can to protect peoples' voice.

Rep. Jordan: (04:58:29)

Thank you, Mr. Zuckerberg. Mr. Bezos?

Jeff Bezos: (04:58:34)

Yes, sir. I am concerned in general about that and what I find a little discouraging is that it appears to me that this social media is a nuanced destruction machine. And I don't think that's helpful for a democracy.

Rep. Jordan: (04:58:48)

You agree with the term she used, Ms. Weiss used, digital thunder-dome?

Jeff Bezos: (04:58:54)

I see that, yes.

Rep. Jordan: (04:58:55)

I see it too. And I think I guess my point is you were four pretty important guys leading four of the most important companies on the planet. And it would sure be helpful if you spoke out against us. Mr. Cook, there was a 1984 Super Bowl ad in black and white had this Big Brother type figure as the narrator saying over the screen to a bunch of these workers, looks like it was straight out of the Soviet Union, saying to a bunch of these workers as they're marching along. He says one of the lines that the narrator uses is, "Our unification of thoughts is more powerful a weapon than any fleet or army on the earth." And then, the ad ends with this lady running in and color and smashing the screen, busting the group think, busting the mob think. Do you remember that ad, Mr. Cook? What company had that ad?

Tim Cook: (04:59:51)

I remember it very well. It was Apple versus IBM at the time.

Rep. Jordan: (04:59:57)

Yeah, but the point was mob think, cancel culture, group think is not what this country's about. And we are seeing it play out every single... Just take the sports world, for goodness sake. In the last few weeks, Drew Brees had to bow to the mob simply because he suggested you should stand for the Anthem. There was a football coach at Oklahoma state who wore the "wrong" t-shirt fishing with his boys. And he got in all kinds of trouble. James Harden wears a mask saying "Back the police, help the police, support the police," he gets attacked.

Rep. Jordan: (05:00:33)

Why don't we just let the first amendment work? That's all we're asking. And you are four individuals who have so much influence, it would sure help if you're out there criticizing what the cancel culture mob is doing to this country. And people see it every single day. And I hope you'll do it. You all said you disagree with it. I hope you'll really speak out against it and be fair with all viewpoints. I yield back?

Rep. Cicilline: (05:00:59)

The gentleman yields back. I recognize the gentle lady from Washington, Ms. Jayapal.

Pramila Jayapal: (05:01:06)

Thank you, Mr. Chairman. Mr. Pichai, I direct my questions to you. Many of us feel a deep urgency to protect independent journalism. And I wanted to talk a little bit about ad revenue and independent journalism. Google makes most of its revenue through selling advertising, and Google's advertising exchange is a, "Real time marketplace to buy and sell display advertising space," correct?

Mr. Pichai: (05:01:31)

Yes, Congressman. That's correct.

Pramila Jayapal: (05:01:33)

And over 2 million websites, including online newspapers use that exchange, correct?

Mr. Pichai: (05:01:37)

We are very proud to support publishers and I don't have the exact numbers, but yes, that seems [crosstalk 00:05:01:45].

Pramila Jayapal: (05:01:45)

Okay. Well, that's an estimate put forth by tech expert, Dina Srinivas, and your own website for Google Display Network says you have access to over 2 million sites. What is Google's share of the ad exchange market?

Mr. Pichai: (05:02:00)

Congressman, I'm not exactly familiar. I've seen various reports, but we are a popular choice.

Pramila Jayapal: (05:02:08)

Great. Let me put it up for you. If you look at the screen, you will see that Google has 50 to 60%, according to the online platforms and digital advertising CMA market study that was just released. And in order to buy and sell on these exchanges, websites and advertisers go through a middleman, like Google's DV 360 and Google Ads. If you look at the slide, Mr. Pichai, you can see that the share of this buy-side market that Google has is 50 to 90%, according to the same study.

Pramila Jayapal: (05:02:44)

And I just want to simplify how these exchanges work. So, say in Seattle, Dee's Electronics, a mom and pop business, wants to buy online ad space in the Seattle Times. Dee's Electronics would need to go to a middleman like Google Ads, which would then bid for ad space on an ad exchange. And the problem is that Google controls all of these entities. So, it's running the marketplace, it's acting on the buy-side, and it's acting on the sell-side at the same time, which is a major conflict of interest.

Pramila Jayapal: (05:03:17)

It allows you to set rates very low as a buyer of ad space from newspapers, depriving them of their ad revenue, and then also to sell high to small businesses, who are very dependent on advertising on your platform. It sounds a bit like a stock market, except unlike a stock market, there's no regulation on your ad exchange market. If there were regulation, it would actually prohibit insider trading, which means that the broker can't use the data in the broker division to buy and sell for their own interest. Instead, brokers have to serve their clients. Does Google have a similar obligation to serve its clients, the businesses that are selling and buying ad space?

Mr. Pichai: (05:04:01)

Congresswoman, if I could explain this for a minute, we paid over \$14 billion to publishers. We're deeply committed to journalism in this area. On an average, we pay out 69% of the revenue when publishers use Google's buy and sell-side tools. And it's a low margin business for us. We do it because we want to help support publishers in this area.

Pramila Jayapal: (05:04:24)

No, I understand that, Mr. Pichai. What I'm trying to get at is when any company controls the buy and the sell-side, I worked on wall street a very long time ago, there are reasons that insider trading is regulated. And this ad exchange is essentially the same thing, and without accountability, it isn't meaningful to just care about the newspapers. We're seeing them die all over, and ad revenue is a big reason. Let me put up a graph here that shows that Google's ad revenue is increasingly coming from ads on Google-owned sites, and less so from other websites. Can you explain that trend?

Mr. Pichai: (05:05:01)

I can't quite see whether this is net revenue or gross revenue. Obviously, when it comes to non-Google properties, we share the majority of revenue back to publishers. Whereas, on our own properties, we have the inventory. But I would need to understand more. I just quickly looked at it. I'm not sure [crosstalk 00:08:21].

Pramila Jayapal: (05:05:19)

Okay, we can send it to you and make sure you have it. Google is not made its search traffic volumes public in years. So, there's no way for us to know exactly what's happening here. And there's no way for businesses to verify whether they've been treated fairly or left behind in favor of Google-owned companies. Is Google steering advertising revenue to Google Search?

Mr. Pichai: (05:05:46)

Congressman, users come to Google Search. It is that traffic, and that's where our source of revenue comes from. So, we are on providing users the information they are looking for. We work hard to earn their trust. We know competition for information is just a click away.

Pramila Jayapal: (05:06:03)

Thank you, Mr. Pichai. I just want to make the point that independent journalism is incredibly necessary to our democracy and we want to do what we can to protect it. I want to just ask one last question of Mr. Zuckerberg. Over 1100 companies and organizations pulled their advertising business from Facebook as part of the Stop Hate for Profit campaign to protest the spread of hate speech and disinformation.

Pramila Jayapal: (05:06:27)

But you, at a staff meeting earlier this month, where you told employees, "We're not going to change our policies or approach because of a threat to any percent of our revenue. My guess is all these advertisers will be back on the platform soon enough." Mr. Zuckerberg, are you so big that you don't care how you're impacted by a major boycott of 1100 advertisers?

Mr. Zuckerberg: (05:06:49)

No, Congresswoman. Of course, we care. But we're also not going to set our content policies because of advertisers. I think that that would be the wrong thing for us to do. We've cared about issues like fighting hate speech for a long time, and we've invested billions of dollars. And I've talked about, today, how we have tens of thousands of content reviewers, we've built AI systems that proactively identify the majority. We're now at 89% of the hate speech that we remove before anyone even reports it to us. We're going to continue getting better at that.

Mr. Zuckerberg: (05:07:20)

And I think that those investments, over time, and the results that we put up will be recognized by people since I do believe that they are industry leading. And I think that our

advertising also is, for a lot of small businesses, the most effective or among the most effective ways that they can find and reach new customers.

Pramila Jayapal: (05:07:39)

Thank you, Mr. Zuckerberg. My time has expired, but I would just say that I know you've commissioned your own civil rights audit. I don't think that you've implemented all those recommendations yet. I hope you will move quickly to implement those. This is a critical time as we watched the body of John Lewis leave us here in the capital that we focus on civil rights. Thank you, Mr. Chairman. I yield back.

Rep. Cicilline: (05:08:00)

Before I call on the next witness, I want to recognize Mr. Pichai, who I think wants to make a correction for the hearing.

Mr. Pichai: (05:08:10)

The only correction. Thanks, Mr. Chairman. There was a question earlier about information with respect to China. I just wanted to acknowledge on record that I recalled in 2009 we had avail publicized a cyber attack originating there, which did exfiltrate some code from there. I just wanted to correct that on record.

Rep. Cicilline: (05:08:29)

Thank you. Thank you, Mr. Pichai. The record will so reflect. I recognize the gentle lady from Pennsylvania for five minutes.

Ms. Scanlon: (05:08:35)

Thank you, Mr. Chairman. In March, 2020, Amazon announced that it was going to start delaying shipments of non-essential products in order to better serve customers and meet need, while helping to ensure the safety of their warehouse workers. In practice, however, it appears that this policy was applied selectively, as Amazon appeared to continue to designate its own products as essential, even as it delayed competing products from third party sellers. So, the essential items were supposed to include household staples, medical supplies, high demand products, and that many factors were considered when determining eligibility to be essential.

Ms. Scanlon: (05:09:18)

But we've had several employees report that Amazon continued to ship non-essential items, like hammocks, fish tanks, pool floaties, et cetera. Mr. Bezos, were Amazon devices like FireTV, echo speakers, and ring doorbell designated as essential during the pandemic?

Jeff Bezos: (05:09:38)

I don't know the answer to that question. What I can tell you is there was no playbook for this. We moved very quickly. Demand went through the roof. It was like having a holiday selling season, but in March. And we had to make a lot of decisions very rapidly.

Ms. Scanlon: (05:09:55)

Okay.

Jeff Bezos: (05:09:55)

Our goal was to limit it to essential supplies, but I'm sure we did not do that perfectly.

Ms. Scanlon: (05:10:00)

Okay. I know the ring doorbell has two competing products, including Arlo and [inaudible 05:10:06] maybe. Do you know if they were designated as essential?

Jeff Bezos: (05:10:10)

I do not.

Ms. Scanlon: (05:10:12)

Okay. Are you able to testify to Congress today whether Amazon's profit factor was a factor in giving in essential classification distinction?

Jeff Bezos: (05:10:25)

No, not to my knowledge. We were working to achieve two objectives. One was to get essential products to customers, and the second was to keep our frontline employees safe. And we did a tremendous amount of work in both categories. And that's what we were focused on. We were not focused on profitability at that time.

Ms. Scanlon: (05:10:45)

Pushing out the elusive Clorox wipe, I guess. But at any rate, moving along, let's talk about the fees that Amazon charges sellers. According to a recent report, seller fees netted Amazon almost 60 billion in 2019, nearly double the 35 billion in revenue from AWS, Amazon's massive cloud computing division. Five years ago, Amazon took an average of 19% of each sale made by a third party on its site. Today, Amazon keeps an average of 30%. Doesn't Amazon's ability to hike those fees so steeply suggests that Amazon enjoys market power over those sellers?

Jeff Bezos: (05:11:28)

No, Congresswoman. I don't believe so. I think what you're seeing there, when you see that go from 19 to 30%, is that more and more sellers are taking advantage of the incremental services that we offer. And a big piece of that is fulfillment by Amazon, which is probably the greatest invention that we ever created for sellers. And it's working for sellers. That's why, today, 60% of sales are going through third party sellers up from zero, 20 years ago.

Ms. Scanlon: (05:11:51)

Right. But I think a little more concerning is the 11% hike. Since 2014, Amazon's revenue from seller fees has grown almost twice as fast as its overall sales. So, seller fees now account for 21% of Amazon's total revenue. Mr. Bezos, aren't seller fees now effectively subsidizing Amazon's retail division?

Jeff Bezos: (05:12:14)

Congresswoman, no, I don't believe so. I think what you're seeing there, when you see these fees going up, what's really happening is that sellers are choosing to use more of our services that we make available. Previously, perhaps they were shipping their own products from their own fulfillment centers. So, they would have had costs doing that. You're operating your own fulfillment center and buying transportation services to the customer through the postal service or through UPS or whoever would be. You have [crosstalk 05:12:42].

Ms. Scanlon: (05:12:42)

Okay, well let's talk a little bit about the fulfillment centers.

Jeff Bezos: (05:12:45)

... fulfillment by Amazon.

Ms. Scanlon: (05:12:46)

Right. Okay, so we've got fulfillment by Amazon. And a year ago, we asked whether a merchant who was enrolled in Fulfillment By Amazon, also known as FBA, is a factor in whether they can be awarded the Buy Box. And at that time, Amazon said no. But the evidence is indicating, and your own documents are showing, that being enrolled in that program is a major factor, and it effectively forces sellers to pay for fulfillment services from Amazon if they want to make sales. Mr. Bezos, has Amazon's Buy Box algorithm ever favored third party sellers who buy fulfillment services from Amazon over other sellers?

Jeff Bezos: (05:13:27)

I think effectively the Buy Box, directly or indirectly, I'm not sure if it's direct, but indirectly, I think the Buy Box does favor products that can be shipped with Prime. So, especially if you're a Prime member, the Buy Box is trying to pick the offer. We have multiple offers from multiple sellers for the same item. Customer wants to buy that item. The Buy Box was trying to pick the offer that we predict the customer would most like. That includes price, it includes delivery speed, and if you're a Prime member, it includes whether the item is eligible for Prime.

Ms. Scanlon: (05:13:58)

Thank you, Mr. Bezos. I think my time's expired.

Rep. Cicilline: (05:14:02)

[inaudible 05:14:02] expired. Before I recognize our last two colleagues, I think Mr. Zuckerberg would like to clarify something for the record as well.

Mr. Zuckerberg: (05:14:10)

Chairman, thank you. In response to Congressman Johnson's question before, I said that I wasn't familiar with the Facebook research app, when I wasn't familiar with that name for it,

but I just want to be clear that I do recall that we used an app for research and it has since been discontinued. And I would be happy to follow up with his staff on any more details that he would like on that.

Rep. Cicilline: (05:14:34)

Thank you, Mr. Zuckerberg. The record shall so reflect. I recognize the gentleman from Colorado, Mr. Neguse.

Mr. Neguse: (05:14:39)

Thank you, Mr. Chairman. Good afternoon, Mr. Cook. I wanted to direct a few questions to you, and wanting to talk a little bit about the app store and app development. So, just taking a step back, my understanding from your testimony today is that, essentially, Apple has to operate by the same rules that the app developers operate by, in terms of being able to access the app store. Is that correct?

Tim Cook: (05:15:03)

We have 60 apps on the app store. They go through the same rules that the 1.7 million do.

Mr. Neguse: (05:15:10)

Okay. So, here's why I asked that question. My understanding is the app store review guidelines tell app developers not to submit copycat apps. Is that correct?

Tim Cook: (05:15:26)

I'm not totally familiar, but I believe that's the case because we were getting a number of apps that were essentially the same thing, sort of a cookie-cutter.

Mr. Neguse: (05:15:36)

And I can represent to you, Mr. Cook, our subcommittee staff has obviously reviewed the guidelines and, precisely, they say that app developers should have original ideas, that copycat ideas aren't fair, and Apple's customers don't want those. On the other hand, the app developer agreement, which you require every developer to agree to, does give Apple the right to copy other apps. And so, the question is why one rule for the developers that compete with you, and the opposite rule for Apple?

Tim Cook: (05:16:10)

Congressman, I'm not familiar with that, but I could follow up with your office on it.

Mr. Neguse: (05:16:14)

I would appreciate it if you could follow up with our office. My understanding, again, is that the app developer agreement explicitly says that Apple can use any information that an app developer provides to Apple for any purpose. And so, obviously, you have complaints from any number of app developers who have testified before our committee, as I said, represent the state of Colorado.

Mr. Neguse: (05:16:37)

We heard from a company called Tile, which said that Apple had access to confidential information about the apps distributed by the app store. And given that, juxtaposed against this language in the exclusive agreement, you can understand why we would have concerns about anti-competitive conduct.

Tim Cook: (05:16:55)

Congressman, we run the app store to help developers, not hurt them. We respect innovation. It's what our company is built on. We would never steal somebody's IP. But I will follow up with your office on more detail on this.

Mr. Neguse: (05:17:11)

I appreciate that, Mr. Cook, because I think to the extent that Apple were willing to commit, and I intend to ask Mr. Pichai a similar line of questioning so I believe this is consistent across multiple different platforms. To the extent Apple was willing to commit within the developer agreement to say that, while you have access to that data, that you are not going to use that data and are not permitted to use that data to replicate your own app, a copycat app, if you will. That would certainly, in my view, be a reflection of a step away from any type of anti-competitive conduct. And it sounds like you'll follow up and we can learn with respect to that issue.

Mr. Neguse: (05:17:48)

Mr. Pichai, similarly, there was an article just yesterday from The Verge. The title is, "Google reportedly keeps tabs on usage of rival Android apps to develop competitors." And I'll quote from the article, "Google said that the data doesn't give information about how people behave while they're using individual apps, but it wouldn't say whether it had been used to develop competing apps." So, I guess, first, I take it you would confirm that Google does have access to confidential information or ultimately competitively-sensitive information about apps on the Android devices?

Mr. Pichai: (05:18:26)

Congressman, if I could clarify this. Today, we have an API, which is available for other developers as long as users consent. This gives us system health metrics. This is how we can launch digital wellbeing features on Android. This is how we understand which apps are using battery. And we can give a dashboard which shows maybe for crashing or quality control or for battery usage or for digital wellbeing. So, at a high level, this data is available through a public API and other developers can avail as long as the users give consent to it.

Mr. Neguse: (05:19:00)

So Mr. Pichai, I just want to clarify. Again, I'll quote from this article. The article refers to this data as, "Sensitive data about other apps, including how often they're opened and for how long they're used." I'm not asking how you use that information. I'm just asking whether or not in fact what the article alleges is correct, that you do have access to that data.

Mr. Pichai: (05:19:20)

Yeah, with user consent and the APIs exists, yes, we do.

Mr. Neguse: (05:19:24)

And does Google use that-

Mr. Pichai: (05:19:25)

And it's critical for us to have access to that so that we can maintain the... This is how we understand and we can improve resource usage of applications-

Mr. Neguse: (05:19:35)

Understood. My time's limited, sorry. I just want to get to this core question. Given that Google does have access to that data, does Google use that data to develop competing apps? And if your answer is no, will Google commit to making the necessary changes within its Android developer app agreements, to ensure that developers have that sense of clarity, that in fact, the data will not be used for Google to be able to develop a competing application?

Mr. Pichai: (05:20:08)

Congressman, like other businesses today, we do look at trends and we in fact, in Play Store, we do publish the number of installs of application and we give ranges. And so, there's a wide variety of way by which we try to understand what's happening in the market. But I appreciate your concern about making sure there's clarity in this area, and we'll continue to invest and get more clarity.

Mr. Neguse: (05:20:30)

I must, I guess, want to just follow very quickly, Mr. Chairman, if you're willing. I guess I'm wondering if you can just answer that fundamental question. Does Google use that information to develop competing apps? I understand the purposes you've described in terms of how you use the information. I'm just asking if one of those in fact is to develop competing apps.

Rep. Cicilline: (05:20:53)

The gentleman's time has expired, but the witness may answer the question.

Mr. Pichai: (05:20:58)

Congressman, because we try to understand what's going on in market and we are aware of popularity of apps, I want to be accurate in my answer. But in general, the primary use for that data is to improve the health of Android. But any data that we get, we have user consent for it and we make it available through an API to other developers as well.

Rep. Cicilline: (05:21:22)

The gentleman's time has expired. I now recognize the gentle lady from Georgia, Ms. McBath.

Ms. McBath: (05:21:27)

Thank you, Mr. Chairman. And gentlemen, thank you so much for spending so much of your time with us today. We really appreciate it. And many of you have mentioned John Lewis today and his fight for equality, and that I know that all my colleagues and I will carry on. Very quickly, can each of you simply commit to improving racial and gender equity at your companies, including black leadership and women in your senior ranks? Just a yes or no answer, please. Mr. Zuckerberg?

Mr. Zuckerberg: (05:21:54)

Yes.

Ms. McBath: (05:21:54)

Mr. Cook?

Tim Cook: (05:21:54)

Yes, I am very personally committed.

Ms. McBath: (05:21:54)

Thank you. Mr. Bezos?

Jeff Bezos: (05:21:56)

Absolutely, yes.

Ms. McBath: (05:22:05)

Thank you. Mr. Pichai?

Mr. Pichai: (05:22:07)

Yes, and we've made public commitments to this regard.

Ms. McBath: (05:22:10)

Thank you so much. Mr. Zuckerberg, in 2004, there were dozens of social media companies. Facebook distinguished itself from the competitors by focusing specifically on privacy. You had a short, clear privacy policy. It was just 950 words. It made a promise to users and I quote, "We do not and will not use cookies to collect private information from any user." And you said, "Will not." That's a commitment about the future, and that was 2004. Mr. Zuckerberg, today, does Facebook use cookies to collect private information on users?

Mr. Zuckerberg: (05:22:51)

Congresswoman, my understanding to that is no. We're not using cookies to collect private information about people who use our services, and I believe we've upheld that commitment.

Ms. McBath: (05:23:02)

Okay, thank you. Mr. Zuckerberg, do you think that your company would be as successful if it had started with today's cookies policy in place?

Mr. Zuckerberg: (05:23:14)

Congresswoman, I'm not sure exactly what you're referring to, but in general, cookies is not a big part of how we're collecting information. We've primarily used them to make sure that someone can stay logged in on web, we use them to some degree for security to make sure that you don't have someone trying to log in under a lot of different accounts for one computer or something like that.

Ms. McBath: (05:23:43)

So, Mr. Zuckerberg, once again, you do not use cookies?

Mr. Zuckerberg: (05:23:48)

Congresswoman, just to make sure-

Ms. McBath: (05:23:50)

Yes or no? Yes or no?

Mr. Zuckerberg: (05:23:53)

Yes, we do use cookies.

Ms. McBath: (05:23:55)

Okay. So, Mr. Zuckerberg, the bottom line here is that you broke a commitment to your users and who can say if you may or may not do that again in the future? The reality is that Facebook's market power grew and Facebook sacrificed its users policy. Mr. Bezos, my colleagues have touched on counterfeit goods, and I share their concerns very deeply. I'm also concerned about stolen goods. Mr. Bezos, are stolen goods sold on Amazon?

Jeff Bezos: (05:24:29)

Congresswoman, not to my knowledge, although there are more than a million sellers. And so, I'm sure that there have been stolen goods sold at Amazon.

Ms. McBath: (05:24:41)

Really, Mr. Bezos?

Jeff Bezos: (05:24:42)

I'm sorry.

Ms. McBath: (05:24:43)

There's not? You don't believe that there is? That surprises me.

Jeff Bezos: (05:24:46)

No, I just said with over a million sellers, I'm sure that it has happened. But certainly, I don't think it's a large part of what we're selling.

Ms. McBath: (05:24:54)

Okay, so Mr. Bezos, basically then you're saying yes?

Jeff Bezos: (05:24:59)

I guess so.

Ms. McBath: (05:25:00)

Okay, so I want to ask you about information that you require from sellers to prevent the sale of stolen goods. Do you require a real name and address? Yes or no?

Jeff Bezos: (05:25:11)

For sellers?

Ms. McBath: (05:25:15)

Once again, do you require a real name and address from sellers?

Jeff Bezos: (05:25:20)

I believe we do, but let me get back to your office with a... I'd rather give you the accurate answer, but I think we do.

Ms. McBath: (05:25:28)

And I'm aware that you are. So, yes, you do require a name and address. Do you require a phone number? Yes or no?

Jeff Bezos: (05:25:37)

I don't know if it's required. I think we often have it, but I don't know.

Ms. McBath: (05:25:41)

So, briefly then, how do you verify that each of these pieces of information is accurate?

Jeff Bezos: (05:25:50)

I don't know the answer to your question.

Ms. McBath: (05:25:52)

So, you don't know how many people work on verifying seller verification before the seller is allowed to sell on Amazon?

Jeff Bezos: (05:26:00)

No, Congresswoman, I don't.

Ms. McBath: (05:26:02)

Okay, then I'm going to ask you, sir, will you commit to reporting all sales of stolen and counterfeit goods to law enforcement and to victims to track large-scale offenders engaged in organized retail crime?

Jeff Bezos: (05:26:18)

To the degree that we're aware of it, we will certainly pursue it. In fact, I would [crosstalk 05:26:23]-

Ms. McBath: (05:26:22)

Sir, can you just make a blanket commitment? Can you just make a blanket commitment, whether you're aware of it or not?

Jeff Bezos: (05:26:29)

A blanket commitment to what? Sorry, Congresswoman, I'm trying to be helpful.

Ms. McBath: (05:26:32)

Reporting all sales of stolen and counterfeit goods to law enforcement and to victims to track large-scale offenders engaged in organized retail.

Jeff Bezos: (05:26:42)

I see no reason why, if we're aware of stolen goods, we wouldn't report it. We would want the correct law enforcement authorities to be involved.

Ms. McBath: (05:26:50)

Okay, thank you so much. I yield back my time.

Rep. Cicilline: (05:26:53)

I thank the gentle lady for yielding back. I want to thank the witnesses for their testimony today and my colleagues on both sides of the aisle. I also want to acknowledge the extraordinary work of our team led by Slade Bond, Lina Khan, Amanda Lewis, Phil Barrenbrook, Anna Lionheart, and Joe Van Why, who've done an extraordinary job throughout this investigation and in preparation for our hearing today.

Rep. Cicilline: (05:27:17)

Today, we had the opportunity to hear from the decision makers at four of the most powerful companies in the world. This hearing has made one fact clear to me. These companies, as exist today, have monopoly power. Some need to be broken up, all need to be properly regulated and held accountable. We need to ensure the antitrust laws, first written more than a century ago, work in the digital age. When these laws were written and monopolists were men named Rockefeller and Carnegie. Their control of the marketplace allowed them to do whatever it took to crush independent businesses and expand their own power.

Rep. Cicilline: (05:27:49)

Well, the names have changed, but the story is the same. Today, the men are named Zuckerberg, Cook, Pichai, and Bezos. Once again, their control of the marketplace allows them to do whatever it takes to crush independent business and expand their own power. This must end. This subcommittee will next publish a report on the findings of our investigation. We will propose solutions to the problems before us. As a great American Supreme Court Justice, Louis Brandeis, once said, "We must make our choice. We may have democracy or we may have wealth concentrated in the hands of a few, but we can't have both."

Rep. Cicilline: (05:28:26)

This concludes today's hearing. Thank you again to our witnesses for attending. Without objection, all members will have five legislative days to submit additional written questions for the witnesses or additional materials for the record. And without objection, this hearing is adjourned.